

1 **NATURE OF THE ACTION**

2 1. This is a class action on behalf of purchasers of the publicly traded securities of
3 Friedman, Billings, Ramsey Group, Inc. (“FBR” or the “Company”) between 1/29/03 and 4/25/05,
4 inclusive (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of
5 1934 (the “Exchange Act”).

6 2. FBR is an investment bank that provides investment banking, institutional brokerage
7 and asset management services, and invests as principal in mortgage-backed securities (MBS) and
8 merchant banking investments. In March 2003, the Company was formed through the merger of two
9 existing companies, both engaged in related business and both managed by the FBR management
10 team.

11 3. On November 9, 2004 FBR filed its third quarter 2004 Form 10-Q in which it
12 disclosed an SEC and NASD investigation:

13 Friedman, Billings, Ramsey & Co., Inc. (“FBR & Co”) is involved in investigations
14 by the SEC and the NASD concerning its role in 2001 as a placement agent for an
15 issuer in a PIPE (private investment in public equity) transaction. The Company has
16 cooperated fully wit the investigations. To date, neither the SEC nor the NASD has
17 initiated proceeding against the Company or its employees in connection with the
18 investigations.

19 In addition, one of the Company’s investment adviser subsidiaries, Money
20 Management Associates, Inc. (“MMA”) and one of its now closed mutual funds, are
21 involved in an investigation by SEC with regard to certain losses sustained by the
22 fund in 2003. The Company has cooperated fully with the investigation. To date,
23 the SEC has not initiated proceedings against the Company or its employees in
24 connection with the investigation.

25 Since no proceedings have been initiated in these investigations, it is inherently
26 difficult to predict the outcome of the investigations or their affect on FBR & Co.,
27 MMA or the Company. Either or both agencies may initiate proceeding as a result of
28 the investigations and such proceedings could result in adverse judgments,
injunctions, fines, penalties or other relief against the Company or one or more of its
employees.

4. On this news, FBR’s stock dropped to \$16.93 per share, some 40% lower then the
Class Period high of \$28.70 per share. However, the market was not apprised to the seriousness of
the investigation, nor that FBR’s earnings were not sustainable. On April 4, 2005, Friedman, the
CEO, resigned. Then, on April 25, 2005, after the market closed, FBR announced disappointing

1 preliminary results for the first quarter 2005, including a charge for its liability in the PIPE
2 transaction. On this news, FBR's stock dropped to \$12.52 on volume of 7.5 million shares

3 5. The true facts, which were known to each of the defendants during the Class Period
4 but were concealed from FBR's shareholders, include that:

5 (a) That the 2001 PIPE transaction manipulation was extremely serious and
6 reached the highest level of the company.

7 (b) That FBR's earnings would be adversely affected by charges related to the
8 investigation into the PIPE transaction and due to the problems the bad publicity would cause FBR.

9 (c) That FBR's 2005 EPS would be much worse than market expectations due to
10 the PIPE transaction as well as due to interest rate increases which would have a much more severe
11 impact on FBR's business than defendants had represented to the market.

12 **JURISDICTION AND VENUE**

13 6. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the
14 Exchange Act [15 U.S.C. §§78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the
15 Securities and Exchange Commission ("SEC") [17 C.F.R. §240.10b-5].

16 7. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C.
17 §1331 and §27 of the Exchange Act.

18 8. Venue is proper in this District pursuant to §27 of the Exchange Act, and 28 U.S.C.
19 §1391(b), because the defendants maintain an office in this District and many of the acts and
20 practices complained of herein occurred in substantial part in this District.

21 9. In connection with the acts alleged in this complaint, defendants, directly or
22 indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to,
23 the mails, interstate telephone communications and the facilities of the national securities markets.

24 **PARTIES**

25 10. Plaintiff _____ purchased the publicly traded securities of FBR at
26 artificially inflated prices during the Class Period, as set forth in the accompanying certification, and
27 has been damaged thereby.

1 and was privy to confidential proprietary information concerning the Company and its business,
2 operations, products, growth, financial statements, and financial condition, as alleged herein. Said
3 defendants were involved in drafting, producing, reviewing and/or disseminating the false and
4 misleading statements and information alleged herein, were aware, or recklessly disregarded, that the
5 false and misleading statements were being issued regarding the Company, and approved or ratified
6 these statements, in violation of the federal securities laws.

7 19. As officers and controlling persons of a publicly held company whose common stock
8 was, and is, registered with the SEC pursuant to the Exchange Act, and was traded on the Nasdaq
9 and governed by the provisions of the federal securities laws, the Individual Defendants each had a
10 duty to disseminate promptly accurate and truthful information with respect to the Company's
11 financial condition and performance, growth, operations, financial statements, business, products,
12 markets, management, earnings and present and future business prospects, and to correct any
13 previously issued statements that had become materially misleading or untrue, so that the market
14 prices of the Company's publicly traded securities would be based upon truthful and accurate
15 information. The Individual Defendants' misrepresentations and omissions during the Class Period
16 violated these specific requirements and obligations.

17 20. The Individual Defendants, because of their positions of control and authority as
18 officers and/or directors of the Company, were able to and did control the content of the various SEC
19 filings, press releases and other public statements pertaining to the Company during the Class
20 Period. Each Individual Defendant was provided with copies of the documents alleged herein to be
21 misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent
22 their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is
23 responsible for the accuracy of the public reports and releases detailed herein and is therefore
24 primarily liable for the representations contained therein.

25 21. Each of the defendants is liable as a participant in a fraudulent scheme and course of
26 business that operated as a fraud or deceit on purchasers of FBR publicly traded securities by
27 disseminating materially false and misleading statements and/or concealing material adverse facts.
28 The scheme: (i) deceived the investing public regarding FBR's business, operations, management

1 **FALSE AND MISLEADING STATEMENTS**
2 **DURING THE CLASS PERIOD**

3 24. On January 29, 2003, FBR issued a press release entitled "Friedman, Billings,
4 Ramsey Group, Inc. Reports Fourth Quarter 2002 Results Net Income of \$10.1 million, or \$0.22 per
5 Share (Basic) for the Quarter. Company Reports Annual Net Income of \$52.4 Million, or \$1.14 per
6 Share (Basic)." The press release stated in part:

7 Friedman, Billings, Ramsey Group, Inc. today reported net income after tax of \$10.1
8 million, or \$0.22 (basic), \$0.21 (diluted) per share on revenues of \$58.9 million, for
9 the quarter ended December 31, 2002, compared to net income before extraordinary
10 gain of \$9.6 million, or \$0.21 (basic and diluted) per share on revenues of \$61.4
11 million in the fourth quarter of 2001. The company fully utilized its operating loss
12 carry forwards and began recording income tax expense during the second half of
13 2002; pre-tax net income for the fourth quarter 2002 was \$10.8 million, compared to
14 \$7.8 million before extraordinary gain for the fourth quarter.

15 These results do not include any impact from the planned re-deployment of \$70
16 million of excess capital into a leveraged mortgage backed security (MBS)
17 investment strategy that the company began to implement at the end of the fourth
18 quarter. The company closed on the first tranche of MBS purchases this week with
19 the purchase of \$350 million of MBS, utilizing \$35 million of re-deployed equity
20 capital. For the full year 2002, FBR reported net income before extraordinary gain of
21 \$52.4 million or \$1.14 (basic), \$1.08 (diluted) per share, on revenues of \$268.2
22 million, compared to a net loss before extraordinary gain of \$(13.9) million or
23 \$(0.29) (basic and diluted) per share on revenues of \$160.8 million the previous year.

24 "FBR's record annual results were driven by continued revenue growth across
25 investment banking, institutional brokerage and asset management," said Emanuel J.
26 Friedman, Chairman and Co-CEO. "For full year 2002 revenue growth was 67%
27 compared to 2001, including revenue growth of 73% in investment banking, 18% in
28 institutional brokerage and 264% in asset management. We continue to actively hire
senior producers across our business."

"We are gratified with our 2002 results which confirm the success of our continued
expansion, and which run counter to the performance of many in our industry," said
Vice Chairman and Co-CEO Eric F. Billings. "FBR remains strongly positioned to
grow revenues, offering innovative capital solutions and independent research views.
The combination of over \$269 million in equity (including employee stock purchase
loans) with virtually no leverage, prudent hiring and cost discipline allow us to
achieve good cash returns on our equity capital, even in a difficult market- as
evidenced by our return on average equity for the year of 25%."

24 25. On May 7, 2003, FBR issued a press release entitled "FBR reports first quarter 2003
25 net income of US \$5.7 million, or US \$0.12 per share (basic)" The press release stated in part:

26 Q1 Pro Forma Earnings for the Merged Company of US \$31.5 Million, or US\$0.24
27 per Share (Basic). Friedman, Billings, Ramsey Group, Inc. today reported net
28 income after tax of US \$5.7 million, or US \$0.12 (basic and diluted) per share on
revenues of US \$49.5 million for the quarter ended March 31, 2003, compared to net
income before extraordinary gain of US \$8.9 million, or US \$0.19 (basic and diluted)

1 per share on revenues of US \$54.4 million for the first quarter of 2002. In the first
2 quarter of 2003, the company's results reflected a US \$2.8 million income tax
3 provision while in the first quarter of 2002, the company's results reflected no
provision for income taxes due to operating loss carry forwards that were exhausted
during 2002.

4 Pre-tax income for the first quarter 2003 was US\$8.6 million, compared to US\$8.9
5 million before extraordinary gain for the first quarter 2002. On March 31, 2003,
6 FBR completed its merger with FBR Asset Investment Corporation, forming a new
company known as Friedman, Billings, Ramsey Group, Inc. Accordingly, the
7 company also is disclosing its results on a pro forma basis, in accordance with SEC
Regulation S-X, Article 11, assuming the merger had occurred on January 1, 2002.
8 On this basis, the company reported pro forma net income after tax of US\$31.5
million, or US\$0.24 (basic), US\$0.23 (diluted) per share on revenues of US\$96.8
million for the quarter ended March 31, 2003.

9 The merger pro forma results for the first quarter 2003 include:

- 10 • merger-related expenses of US\$2.8 million, or US\$0.02 per share (basic), and
- 11 • the negative impact of purchase accounting adjustments resulting from the merger, of
12 US\$3.0 million, or US\$0.02 per share (basic).-- In addition, average mortgage-
13 backed securities (MBS) assets during the quarter were US\$5.7 billion at an average
net interest spread of 2.30%. As of today, the company has contracted for additional
14 MBS purchases that would result in a portfolio of approximately US\$7.5 billion by
June 30, meeting the company's targeted asset levels.

15 "We clearly expect that our earnings in the coming quarters will support our US\$0.34
16 quarterly dividend with the deployment of our excess capital at targeted leverage
levels in the mortgage-backed portfolio," said Emanuel J. Friedman, Co-Chairman
and Co-CEO.

17 "As a result of the merger, we are already seeing a very positive impact in the second
18 quarter in our capital markets business, especially in our success in attracting
investment banking business," said Co-Chairman and Co-CEO Eric F. Billings. "As
19 of today, we are engaged on 31 lead-managed capital raising and M&A transactions
representing more than US\$3.5 billion of potential transaction value. In the first
20 quarter of 2003 we completed two lead-managed transactions and five M&A
transactions totaling US\$355 million in transaction value. We are therefore highly
21 optimistic that our capital markets business, which was close to break-even level in
the first quarter, can provide the growth and retained earnings that we expect over
22 future quarters, in addition to the cash dividends supported primarily by the MBS
portfolio."

23 At March 31, 2003, FBR's MBS portfolio, representing the aggregate of the former
24 FBR Asset's portfolio and FBR Group's own MBS portfolio, totaled US\$5.0 billion
at fair value and the company's corresponding repurchase agreement liabilities were
25 US\$4.3 billion, resulting in leverage to allocated capital of 6.5 to 1 in the MBS
portfolio. The company targets leverage of 6 to 11 times in the MBS portfolio.

26 The weighted average annualised yield of FBR's MBS portfolio was 4.07% during
27 the first quarter and the company's weighted average cost of financing for the
mortgage-backed securities was 1.77% (including the cost of hedging) resulting in an
28 average net interest spread of 2.30% (combining the portfolios of FBR Asset and
FBR Group pre-merger). The spread in the first quarter was down slightly from FBR

1 Asset's spread of 2.47% during the fourth quarter 2002 as a result of lower asset
2 yields, partially offset by a lower cost of funds. Starting in mid-July 2003,
3 approximately US\$3 billion of one-year interest rate swaps will expire with a cash
basis funding cost of 2.15% which has been substantially replaced with funding that
will expire in April 2004 with a funding cost of 1.35%.

4 Prior to the merger, FBR Asset's MBS portfolio premium equaled 1.7%. Purchase
5 accounting adjustments recorded at the date of the merger resulted in an increase in
6 the premium of the MBS portfolio to 2.7%. The increased premium will be
7 amortized against the coupon of the securities in future periods, and such
amortization is also reflected in the merger pro forma. The increased premium
amortization will have no impact on the cash equivalent earnings generated by the
portfolio.

8 26. On July 25, 2003, FBR issued a press release entitled "Friedman, Billings, Ramsey
9 Group to Report 2Q03 Results Investors Able to Access Conference Call on Web On Wednesday,
10 July 30, 2003." The press release stated in part:

11 Friedman, Billings, Ramsey Group, Inc. today announced they will release their
12 second quarter 2003 results after the market close on July 29, 2003. Investors
13 wishing to listen to the joint conference call at 9:00 a.m. U.S. EDT the next day may
do so via the web at: http://www.corporate-ir.net/ireye/ir_site.zhtml?ticker=FBR.
Replays of the webcast will be available after the call.

14 Friedman, Billings, Ramsey Group, Inc. is a national investment bank that provides
15 investment banking, institutional brokerage, asset management, and private client
16 services through its operating subsidiaries and invests in mortgage-backed securities
17 and merchant banking opportunities. FBR focuses capital and financial expertise on
18 six industry sectors: financial services, real estate, technology, healthcare, energy and
diversified industries. FBR, headquartered in the Washington, D.C. metropolitan
area, with offices in Arlington, Va. and Bethesda, Md., also has offices in Atlanta,
Boston, Charlotte, Chicago, Cleveland, Denver, Irvine, London, New York, Portland,
San Francisco, Seattle, and Vienna.

19 Statements made during the conference call concerning future performance,
20 developments, negotiations or events, expectations or plans and objectives for future
21 operations or for growth and market forecasts, and any other guidance on present and
22 future periods, constitute forward-looking statements that are subject to a number of
23 factors risks and uncertainties that might cause actual results to differ materially from
24 stated expectations or current circumstances. These factors include, but are not
25 limited to, the effect of demand for public offerings, activity in the secondary
securities markets, the high degree of risk associated with technology and other
venture capital investments, changes in interest rates, competition for business and
personnel, and general economic, political and market conditions. These and other
risks are described in the company's Annual Report on Form 10-K that is available
from the company.

26 27. On October 28, 2003, FBR issues a press release entitled "FBR reports third quarter
27 2003 net income of US\$57 million, or US\$0.42 (basic) and US\$0.41 (diluted) per share US\$0.41
28 (diluted) per share." The press release stated in part:

1 Friedman, Billings, Ramsey Group, Inc. have reported net income after tax of US\$57
2 million, or US\$0.42 (basic) and US\$0.41 (diluted) per share, on gross revenues of
3 US\$185 million for the quarter ended September 30, 2003, compared to net income
of US\$15.1 million, or US\$0.33 (basic) and US\$0.31 (diluted) per share on gross
revenues of US\$81.7 million for the third quarter of 2002.

4 Reflected in these results is the negative impact of purchase accounting adjustments
5 related to FBR's merger with FBR Asset Investment Corporation on March 31, 2003.
6 As a result of the purchase accounting step-up in the basis of the mortgage-backed
7 securities (MBS) owned by FBR Asset at the time of the merger, non-cash premium
8 amortisation is greater than it would have been without these adjustments. The
9 impact of the increased amortisation (the "Merger Amortisation") associated with the
10 step-up reduced net interest income by US\$0.07 per share during the quarter. In
addition, following the merger and the establishment of a quarterly dividend payment
by FBR Group, FBR treats as compensation expense the dividends paid on
employee-owned shares pledged in connection with stock incentive loans to those
employees. The impact of this additional compensation expense was US\$0.02 per
share during the quarter. The company believes this is important because it currently
plans to sell these loans, eliminating this expense.

11 Adjusting for the above two items, diluted earnings per share of US\$0.41 would
12 increase by US\$0.09 to US\$0.50 per share for the third quarter.

13 In the institutional brokerage business, revenues continued to grow despite a
14 continued reduction in spreads throughout the securities industry. Brokerage revenue
15 for the quarter of US\$19.7 million exceeded revenue during the same quarter last
16 year by 37%. The company believes that in addition to growing market share in both
its investment banking and institutional brokerage businesses, in the future
institutional brokerage revenues will grow at a faster rate as its market share becomes
more comparable with that of investment banking.

17 In its asset management business, FBR recorded fee revenues of US\$7.2 million,
18 including base management and administration fees of US\$5.6 million and non-cash
19 incentive income of US\$1.6 million. Net assets under management totaled US\$1.8
billion as of September 30, 2003, representing a 28% increase from September 30,
2002.

20 "In addition to the continued growth of each of our operating businesses, FBR
21 completed several strategic initiatives during the third quarter," added Emanuel J.
22 Friedman, Co-Chairman and Co-CEO. "In July we added a team of ABS bankers
23 providing FBR with its first entry into the structured finance fixed-income business.
24 This group will focus on the securitisation of non-prime mortgage assets. This is an
industry where FBR maintains the leadership position in equity underwriting and has
extensive issuer relationships. Also during the quarter, FBR established a US\$5
billion A1+/P1 rated asset-backed commercial paper vehicle called Georgetown
Funding, which has strengthened and diversified our funding sources for our agency-
backed MBS portfolio."

25 28. On October 3, 2003, FBR completed a secondary offering of 23 million shares of its
26 stock at \$17 per share for proceeds of \$374.4 million.

1 29. On February 4, 2004, FBR issued a press release entitled “FBR Reports Record
2 Earnings per Share of US\$0.49 (Diluted) for the Fourth Quarter 2003.” The press release stated in
3 part:

4 Friedman, Billings, Ramsey Group, Inc. (NYSE: FBR) today announced record
5 earnings for full year 2003 and for the quarter ended December 31, 2003. Net
6 income was US\$201.4 million, or US\$1.68 (basic) and US\$1.63 (diluted) per share,
7 for the year ended December 31, 2003 compared to US\$53.3 million, or US\$1.16
8 (basic) and US\$1.10 (diluted) per share, for the year ended December 31, 2002. For
9 the quarter ended December 31, 2003, net income was US\$80 million, or US\$0.50
10 (basic) and US\$0.49 (diluted) per share, compared to US\$10.1 million, or US\$0.22
11 (basic) and US\$0.21 (diluted) per share, for the prior year’s comparable period.

12 Reflected in these results is the negative impact of purchase accounting adjustments
13 related to FBR’s merger with FBR Asset Investment Corporation (FBR Asset) on
14 March 31, 2003. Adjusting for the impact of these purchase accounting adjustments
15 on asset yields and cost of funds would increase the full year diluted earnings per
16 share of US\$1.63 by US\$0.10 to US\$1.73 and the fourth quarter diluted earnings per
17 share of US\$0.49 by US\$0.01 to US\$0.50.

18 The company had 165.2 million shares outstanding at December 31, 2003 and
19 weighted average diluted shares outstanding during the year were 123.3 million. FBR
20 declared a quarterly dividend of US\$0.34 per share on December 11, 2003, to
21 shareholders of record as of December 31, 2003. For the full year, the company
22 declared a total of US\$1.36 per share in dividends and increased its book value per
23 share by 78% from US\$5.28 at December 31, 2002 to US\$9.41 at December 31,
24 2003. The dividends and increase in book value per share provided a 104% total
25 return on equity to shareholders in 2003.

26 FBR’s record performance in 2003 is attributable to a number of factors, including
27 the company’s merger with FBR Asset at the end of the first quarter, the continued
28 growth and success of each of the company’s operating businesses, particularly its
investment and merchant banking businesses, and the strong performance of the
company’s mortgage-backed securities (MBS) business despite a challenging third
quarter environment.

 The company’s fourth quarter reflected continued strong performance in its
investment banking business and a normalisation of the net interest margin in its
mortgage-backed securities business as the extremely high prepayment speeds in the
third quarter moderated significantly in the last three months of 2003. In addition,
the company achieved record earnings during the quarter despite running lower than
its targeted leverage in the MBS portfolio as it invested proceeds from its US\$450
million follow-on offering in October. Additionally, the company realised no gains
in its merchant banking business during the quarter. Unrealised gains, however, did
increase from US\$50.7 million at September 30, 2003 to US\$96 million at December
31, 2003.

 “The last three months of 2003 represented a record quarter for the company and the
culmination of a record year. In reflecting on 2003, several things clearly
contributed to our success. First and foremost, our merger with FBR Asset
represented a historic event for our company. In addition, our unwavering discipline
has allowed us to continue our industry-leading after-market performance*, and is
further evidenced by the returns and performance in all aspects of our business.

1 Finally, this discipline and performance has allowed us to create a company that
2 possesses what we believe is the broadest, deepest institutional distribution for equity
3 securities in the United States today. These factors, together, have allowed us to
4 become one of the leading investment banking firms in the United States,” said Eric
5 F. Billings, Co-Chairman and Co-CEO. “With regard to our balance sheet
6 businesses, as we predicted in the third quarter call, prepayment speeds slowed
7 considerably in the fourth quarter allowing the net interest spread in our MBS
8 portfolio to trend back closer to historical averages. As of the end of December we
9 have fully deployed the capital we raised in October in our merchant banking and
10 MBS portfolios. Consequently, we expect higher earnings in the first quarter of 2004
11 from both our MBS portfolio, as we anticipate operating with full leverage, and our
12 merchant banking business, assuming normalised realised income from this
13 portfolio.”

14 30. On April 27, 2004, FBR issued a press release entitled “FBR Reports Record
15 Earnings per Share of \$0.54 (Basic and Diluted) for the First Quarter of 2004 Earnings Per Share Up
16 350% Versus Same Period Last Year.” The press release stated in part:

17 Friedman, Billings, Ramsey Group, Inc. today announced record earnings for the
18 quarter ended March 31, 2004. Net income after tax for the quarter ended March 31,
19 2004 was \$89.6 million, or \$0.54 per share (basic and diluted), compared to \$5.7
20 million, or \$0.12 per share (basic and diluted), for the first quarter of 2003.

21 “Just over a year ago, after completing the merger of our two companies, we advised
22 our shareholders that the combination of our operating businesses and a strong
23 balance sheet would have a profoundly positive impact on our entire firm. Since that
24 time, we have profitably grown and broadened each of our lines of business. FBR’s
25 record results for the first quarter are evidence that our strategy and execution have
26 been effective,” said Eric F. Billings, Co-Chairman and Co-Chief Executive Officer.
27 “Our progress into the second quarter is keeping us solidly on track to meet our goals
28 for 2004. The investment banking backlog continues to exceed five billion dollars,
and we remain confident in our ability to execute our investment banking
assignments through financial sector and interest rate volatility. We also expect our
strategies for managing our mortgage-backed securities portfolio will continue to
deliver resilient returns.”

Results for the first quarter of 2004 include expenditures of approximately \$10
million related to FBR’s sponsorship of its PGA TOUR event, The FBR Open, and
associated advertising and promotional expenses. FBR anticipates that the benefits
resulting from the recognition achieved through these first quarter efforts will
continue to accrue to the company throughout this year and future years.

FBR had 165.6 million shares outstanding on March 31, 2004 and there were 167.3
million weighted average diluted shares outstanding during the quarter. On March
10, 2004, the company declared a quarterly dividend of \$0.34 per share, payable on
April 30, 2004 to shareholders of record as of March 31, 2004. The company intends
to continue quarterly dividends of this amount and to the extent that REIT earnings
exceed the regular dividend amount, will consider declaring an additional special
dividend in June and in December

1 31. On August 3, 2004, FBR issued a press release entitled “FBR Reports Net Income of
2 \$81.2 Million for the Second Quarter of 2004 Diluted Earnings per Share increase 11% to \$0.48,
3 versus \$0.43 for the Same Period Last Year .” The press release stated in part:

4 Friedman, Billings, Ramsey Group, Inc. today announced net income after tax for the
5 quarter ended June 30, 2004 of \$81.2 million, or \$0.48 per share (diluted), compared
6 to \$58.8 million, or \$0.43 per share (diluted), for the second quarter of 2003. Net
revenues for the quarter were \$178.4 million, up 39% from net revenues of \$128.7
million in the second quarter of 2003.

7 On June 10, 2004, FBR declared a quarterly regular dividend of \$0.34 per share and
8 a special dividend of \$0.12 per share, paid on July 30, 2004 to shareholders of record
9 as of June 30, 2004. The company earned a total of \$170.8 million during the first
10 six months of 2004, or \$1.01 per share (diluted), and declared \$0.80 per share of total
11 dividends. During the first six months of 2003, the company declared \$0.68 per
share of total dividends. FBR intends to continue regular quarterly dividends and, to
the extent that earnings from the REIT holding company exceed its regular quarterly
dividend amount of \$0.34 per share, will consider declaring an additional special
dividend in December.

12 “During the first half of 2004 we experienced over 100% revenue growth year-over-
13 year in our taxable subsidiaries. Our overall earnings capability has been enhanced
14 by our growing investor and issuer client bases, as well as the increased recognition
of our franchise and brand name.

15 Our second quarter investment banking revenues of \$62 million grew 66% compared
16 to the same period in 2003 and were within our range of expectations for any given
17 quarter. However, these results do demonstrate the quarter to quarter volatility
associated with the investment banking business when compared with our first
quarter revenues of \$91 million.

18 Importantly, third quarter revenue associated with transactions scheduled to close
19 prior to August 6, 2004 will exceed that of the entire second quarter, and we continue
to win new mandates from industry-leading clients and complete transactions from
our backlog,” said Eric F. Billings, Co-Chairman and Co-Chief Executive Officer.

20 Investment Banking

- 21 • FBR’s investment banking operations achieved revenues of \$62 million in
22 the second quarter, an increase of 66% over the second quarter of 2003.
- 23 • In the second quarter of 2004, FBR raised \$2.6 billion for issuers, including:
- 24 • \$445 million in six initial public offerings
- 25 • \$1.3 billion in follow-on equity offerings
- 26 • \$382 million in private equity placements
- 27 • \$500 million in corporate debt and non-convertible preferred securities.

- 1 • During the quarter FBR completed its largest advisory assignment to date,
2 totaling more than \$600 million in transaction value.
- 3 • FBR continues to be ranked number one in terms of the after-market
4 performance of its equity underwritings over the trailing five year period
5 ending June 30, 2004.
- 6 • FBR finished the first half of 2004 as the number six book-running manager
7 of U.S. IPOs.
- 8 • During the second quarter of 2004 FBR grew its senior investment banking
9 headcount by 14%.

10 “Our second quarter results reflect many of the strengths of our business model.
11 More importantly, despite what is perceived as a difficult market for real estate
12 related equities, we have already lead-managed over \$550 million of real estate-
13 related offerings during the first part of the third quarter and continue to see strong
14 activity in this sector. Additionally, we believe the contributions we experienced in
15 the second quarter from the diversified industrials and technology, media and
16 telecom sectors will continue into the third quarter,” said Emanuel J. Friedman, Co-
17 Chairman and Co-Chief Executive Officer.

18 32. On October 26, 2004, FBR issued a press release entitled “FBR Announces Record
19 Financial Results for the Third Quarter of 2004 Diluted Earnings Per Share Increase 34% to
20 \$0.55, Versus \$0.41 for the Same Period Last Year.” The press release stated in part:

21 Friedman, Billings, Ramsey Group, Inc. today announced net income after tax for the
22 quarter ended September 30, 2004 of \$92.1 million, or \$0.55 per share (diluted),
23 compared to \$57 million, or \$0.41 per share (diluted), for the third quarter of 2003.
24 Net revenues for the quarter were \$243.7 million, up 50% from net revenues of \$162
25 million in the third quarter of 2003.

26 Third Quarter and Nine Month Results

27 Quarter ended September 30, 2004:

- 28 • Record net earnings of \$92.1 million, a 62% increase compared to \$57
million for the third quarter of 2003
- Record earnings per share, up 34% to \$0.55 compared to \$0.41 for the third
quarter of 2003 return on equity of 24.8% (23.5% excluding the impact of
accumulated other comprehensive income (AOCI))
- Record net revenues of \$243.7 million, an increase of 50% above \$162
million for the third quarter of 2003
- Record capital markets revenues of \$164.4 million, up 51% versus the same
period in 2003

- 1 • BR's first book running lead managed asset-backed securities (ABS)
2 underwriting totaling approximately \$720 million.

3 Nine months ended September 30, 2004:

- 4 • Net earnings up 116% to a record \$263 million, compared to \$121.5 million
5 for the first nine months of 2003
- 6 • Earnings per share (diluted) were up 41% to a record \$1.56, compared to
7 \$1.11 for the first nine months of 2003
- 8 • A return on equity of 22.6% (22.8% excluding the impact of OCI)
- 9 • A 90% increase in net revenues to a record \$642.8 million versus \$338.6
10 million for the first nine months of 2003
- 11 • Record capital markets revenues of \$379.1 million, up 98% versus the same
12 period in 2003

13 “During the third quarter our capital markets businesses exhibited significant growth,
14 even with a choppy market early in the period. Simultaneously, we were able to
15 manage our more predictable spread-based business to yield appropriate returns in
16 spite of a flattening yield curve,” said Eric F. Billings, Co-Chairman and Co-Chief
17 Executive Officer.

18 On September 9, 2004, FBR declared a quarterly regular dividend of \$0.34 per share,
19 to be paid on October 29, 2004. The company earned a total of \$263 million during
20 the first nine months of 2004, or \$1.56 per share (diluted), and declared \$1.14 per
21 share of total dividends.

22 33. On November 9, 2004 FBR filed its third quarter 2004 Form 10-Q in which it
23 disclosed an SEC and NASD investigation into its broker-dealer subsidiary FBR & Co.:

24 Friedman, Billings, Ramsey & Co., Inc. (“FBR & Co”) is involved in investigations
25 by the SEC and the NASD concerning its role in 2001 as a placement agent for an
26 issuer in a PIPE (private investment in public equity) transaction. The Company has
27 cooperated fully with the investigations. To date, neither the SEC nor the NASD has
28 initiated proceeding against the Company or its employees in connection with the
investigations.

In addition, one of the Company's investment adviser subsidiaries, Money
Management Associates, Inc. (“MMA”) and one of its now closed mutual funds, are
involved in an investigation by SEC with regard to certain losses sustained by the
fund in 2003. The Company has cooperated fully with the investigation. To date,
the SEC has not initiated proceedings against the Company or its employees in
connection with the investigation.

Since no proceedings have been initiated in these investigations, it is inherently
difficult to predict the outcome of the investigations or their affect on FBR & Co.,
MMA or the Company. Either or both agencies may initiate proceeding as a result of
the investigations and such proceedings could result in adverse judgments,

1 injunctions, fines, penalties or other relief against the Company or one or more of its
2 employees.

3 34. TheStreet.com reported on November 10, 2004:

4 A 10-month regulatory investigation into the murky world of private placements and
5 hedge funds might have found its first target in Friedman Billings Ramsey.

6 The Arlington, VA., investment firm disclosed late Tuesday that the Securities and
7 Exchange Commission and the NASD are jointly investigating the firm's role as the
8 placement agent for a private stock deal in 2001.

9 This spring, the SEC issued subpoenas and requests for documents to 20 brokerages
10 that have arranged so-called PIPE deals -- private placements in public equity --
11 for cash-strapped companies. Regulators subsequently issued subpoenas to about 10
12 hedge funds, seeking information about their trading activity in certain PIPE
13 transactions.

14 Friedman is the first Wall Street firm to publicly acknowledge that regulators are
15 scrutinizing its role as a PIPE placement agent. Shares of the securities firm fell 64
16 cents, or 3.6%, to \$16.95, on the news.

17 The investigation into the \$14 billion PIPEs market is focusing on allegations of
18 stock manipulation by hedge funds, which tend to be the biggest investors in these
19 shadowy stock sales. PIPEs are popular with hedge funds because the buyers can get
20 preferred stock or bonds that convert into shares at a discount to market prices. The
21 deals often include sweeteners, such as warrants, that permit the private investors to
22 buy additional shares at prices well below what ordinary investors would pay for
23 them.

24 35. On this news, FBR's stock dropped to \$16.93 per share, some 40% lower than the
25 Class Period high of \$28.70 per share. However, market observers were unaware of the seriousness
26 of the investigation and FBR stock continued to trade at artificially inflated levels.

27 36. On February 9, 2005, FBR announced "record" financial results for 2004. The
28 release stated in part:

During the fourth quarter 2004, net after-tax income was \$86.6 million, or \$0.51 per
share (diluted), compared to \$80.0 million, or \$0.49 per share (diluted), in the final
quarter of 2003. Net revenues for the quarter were \$245.1 million, an increase of
11.0%

"During 2004 we achieved an industry leading ROE of 22.3% despite using
the lowest level of leverage of any comparable capital markets company. What is
particularly significant is that we achieved these results while making really
substantial investments in our existing platform," said Eric F. Billings, Co-Chairman
and Co-Chief Executive Officer. "We increased our headcount by more than 40%,
we undertook expansions or relocations in six of our 16 offices, we expanded our
asset-backed securities (ABS) banking unit, and took a major step toward building
better brand awareness through advertising, conferences, and our ongoing
sponsorship of the FBR Open. In addition, early in 2005 we created a fixed-income
securities trading group and entered into an agreement to acquire First NLC Financial

1 Services, LLC (FNLC), a rapidly growing non-conforming mortgage lender. We
2 expect that the positive impact of all these steps will be seen in future earnings as we
3 reposition our mortgage portfolio to include non-conforming mortgages and as we
4 broaden and grow our capital markets businesses. The effect of these new initiatives
5 combined with our prospects for growth in 2005 and beyond.”

4 “We are pleased with the results of our investment banking business. Our
5 strategy to grow this business by adding talented bankers to our unique capital
6 markets platform has proven effective. Our 2004 results also reflect our success in
7 maintaining client relationships while expanding our client base into new areas. In
8 particular, we are excited about our success with financial sponsor groups in 2004
9 and believe this will be an area of continued growth for us in 2005,” said Emanuel J.
10 Friedman, Co-Chairman and Co-Chief Executive Officer.

8 37. On February 16, 2005, FBR announced the completion of the acquisition of First
9 NLC Financial Services, LLC, an affiliate of Sun Capital Partners and a non-conforming mortgage
10 originator. The release stated:

11 FBR had previously announced that it would pay \$88 million in cash and stock for
12 100% of the equity interests of First NLC. The adjustment in purchase price is the
13 result of an \$11 million of additional loans on the seller’s balance sheet at closing.
14 The net purchase price in excess of tangible equity acquired was \$74 million. At
15 closing, FBR acquired a mortgage portfolio of approximately \$475 million.

14 38. On April 4, 2005, FBR announced its Chairman, CEO and namesake was stepping
15 down. The release stated:

16 Friedman, Billings, Ramsey Group, Inc., a leading national investment bank, today
17 said that Emanuel J. Friedman, 58, has announced he will retire from his roles as Co-
18 Chairman and Co-Chief Executive Officer of FBR, member of the firm’s Office of
19 the Chief Executive, and director effective June 9, 2005, the date of the firm’s annual
20 meeting of shareholders. Mr. Friedman co-founded FBR in 1989 with Eric Billings
21 and Russell Ramsey.

20 39. This announcement finally apprised the market of the seriousness of the NASD and
21 SEC investigations. On April 3, 2005, FBR’s stock collapsed to \$13.97 on volume of 10.6 million
22 shares.

23 40. Then, on April 25, 2005, FBR announced Preliminary Results for the First Quarter
24 2005 in a release which stated in part:

25 Friedman, Billings, Ramsey Group, Inc. today announced preliminary financial
26 results for the quarter that ended March 31, 2005. FBR expects to report net after-tax
27 income of \$22 million to \$25 million, or \$0.13 to \$0.15 per share (diluted). FBR
28 expects to report net revenues for the quarter of \$163 million compared to \$221
million for the first quarter 2004. Included in these results is a reserve of \$7.5
million for a potential settlement by the company’s broker-dealer subsidiary related
to a previously disclosed regulatory investigation concerning a PIPE transaction
completed in 2001. Book value per share as of March 31, 2005 is anticipated to be

1 \$8.62, and book value per share net of Accumulated Other Comprehensive Income
2 (AOCI) is expected to be \$9.63.

3 “While our first quarter results were clearly disappointing, we remain
4 optimistic about our capital markets and principal investment portfolio businesses,
5 and we remain confident that we will generate the earnings to maintain our core
6 dividend payments,” said Eric F. Billings, Co-Chairman and Co-Chief Executive
7 Officer of FBR.

8 “As we discussed in our conference call on March 17, this quarter was
9 negatively impacted by a lack of merchant banking gains, one-time transitional costs
10 related to the acquisition of First NLC, and continuing spread compression in the
11 mortgage-backed securities (MBS) portfolio,” Mr. Billings said. “The principal
12 reasons for the lower reported earnings following the call are the previously
13 mentioned reserve for the PIPE transaction and related legal fees, anticipated
14 revenues from an investment banking transaction and dividends from merchant
15 banking which shifted from the first quarter into the second quarter. The banking
16 transaction has subsequently been completed and the anticipated dividends have been
17 declared.”

18 41. On this news, FBR stock collapsed to \$12.52 per share on volume of 7.5 million
19 shares.

20 42. Later, on April 26, 2005, FBR Announced a Proposed Settlement with the SEC and
21 NASD in a release which stated in part:

22 Friedman Billings Ramsey Group, Inc. announced today that its broker-dealer
23 subsidiary FBR & Co., Inc. has made an offer of settlement to the staff of the
24 Division of Enforcement (“SEC staff”) of the Securities and Exchange Commission
25 (“Commission”) and the staff of the Department of Market Regulation of NASD
26 (“NASD staff”), and the company has requested the SEC and NASD staffs
27 recommend such proposal to the Commission and NASD National Adjudicatory
28 Council or NASD Office of Disciplinary Affairs, respectively, pending final
negotiation of the settlement language, to resolve ongoing, previously disclosed
investigations by the SEC and NASD staffs. The proposed settlement concerns
insider trading and other charges concerning the Company’s trading in a company
account and the offering of a private investment in public equity (“PIPE”) on behalf
of CompuDyne, Inc. (“CDCY”) in October 2001.

Following discussions with both the SEC and NASD staffs, the company
made an offer of settlement in order to resolve this matter. In the SEC proceeding,
the company, without admitting or denying any wrongdoing, offered to pay
disgorgement, civil penalties, and prejudgment interest totaling approximately \$3.5
million and to consent to the entry of a permanent injunction with respect to
violations of the antifraud provisions of the federal securities laws. The company
also agreed to consent to an administrative proceeding under Section 15(b) of the
Securities Exchange Act of 1934 in which the company would be subjected to a
censure and would agree to certain undertakings, including review by an independent
consultant of its Chinese Wall procedures and implementation of any recommended
improvements.

In the parallel NASD proceeding, based upon the same circumstances
described above, the company will submit a Letter of Acceptance, Waiver and

1 Consent (“AWC”), pending final negotiation of appropriate language, proposing a
2 settlement of alleged violations of the antifraud provisions of the federal securities
3 laws and NASD Rules 2110, 2120, 3010 and 3370. The Company will also agree to
4 the same undertakings provided for in the proposed settlement with the SEC,
5 including agreeing to an independent consultant to review its Chinese Wall
6 procedures and implementing any recommended improvements, and FBR & Co.
7 offered to pay a fine of \$4 million to NASD. The AWC must be reviewed and
8 accepted by NASD’s Department of Market Regulation and National Adjudicatory
9 Council or the Office of Disciplinary Affairs. The proposed settlement of the
10 proceedings and the injunctive actions is subject to the Company obtaining relief
11 from certain statutory disqualifications, which result from the entry of the injunction
12 and findings of violations in the proceedings. Any relief from the statutory
13 disqualifications must be reviewed and approved by the Commission, and the SEC
14 staff can make no assurance that any or all of the requested relief will be granted by
15 the Commission. FBR has recorded a \$7.5 million charge in its 2005 first quarter with
16 respect to the offer of settlement to the SEC and the AWC to NASD.

17 Three individuals, including Emanuel J. Friedman, who recently announced his
18 retirement as Co-Chairman and Co-Chief Executive Officer of FBR and is no longer
19 involved in the operations of the broker-dealer, are in discussions with the staffs of
20 the SEC and NASD regarding this matter. The other two individuals in discussions
21 with the regulators were the company’s head trader and chief compliance officer.
22 Both the head trader and chief compliance officer have retired from the company.
23 The company has named their replacements.

24 43. On May 3, 2005, FBR dropped to below \$11 per share. The true facts, which were
25 known to each of the defendants during the Class Period but were concealed from FBR’s
26 shareholders, include that:

27 (a) That the 2001 PIPE transaction manipulation was extremely serious and
28 reached the highest level of the company.

(b) That FBR’s earnings would be adversely affected by charges related to the
investigation into the PIPE transaction and due to the problems the bad publicity would cause FBR.

(c) That FBR’s 2005 EPS would be much worse than market expectations due to
the PIPE transaction as well as due to interest rate increases which would have a much more severe
impact on FBR’s business than defendants had represented to the market.

LOSS CAUSATION/ECONOMIC LOSS

44. During the Class Period, as detailed herein, defendants engaged in a scheme to
deceive the market and a course of conduct that artificially inflated FBR’s stock price and operated
as a fraud or deceit on Class Period purchasers of FBR stock by misrepresenting the Company’s
financial results, business success and future business prospects, and concealing the extent and

1 seriousness of manipulations involving the 2001 PIPE transaction. Defendants achieved this façade
2 of success, growth and strong future business prospects by blatantly concealing the fraudulent
3 conduct and misrepresenting its business. Later, however, when defendants' prior
4 misrepresentations and fraudulent conduct were disclosed and became apparent to the market, FBR
5 stock fell precipitously as the prior artificial inflation came out of FBR's stock price. As a result of
6 their purchases of FBR stock during the Class Period, plaintiff and other members of the Class
7 suffered economic loss, *i.e.*, damages under the federal securities laws.

9 45. By improperly concealing its conduct, the defendants presented a misleading picture
10 of FBR's business and prospects. Thus, instead of truthfully disclosing during the Class Period that
11 FBR's business was not as healthy as represented, defendants caused FBR to conceal its violation of
12 SEC and NASD rules. During the Class Period, defendants repeatedly emphasized FBR's "franchise
13 and brand name" which would lead to enhanced future results.

15 46. These claims of "brand name" improvement caused and maintained the artificial
16 inflation in FBR's stock price throughout the six quarter Class Period and until the truth was
17 revealed to the market.

18 47. Concurrent with the concealment of the improprieties by high level FBR officials,
19 defendants also misled investors by asserting the "strengths of [its] business model" was allowing
20 favorable results even in a difficult business environment.

22 48. Defendants' false and misleading statements had the intended effect and caused FBR
23 stock to trade at artificially inflated levels, reaching as high as \$28.70 per share, throughout the Class
24 Period.

25 49. On April 4, 2005, defendants were forced to publicly disclose that Friedman was
26 resigning. On April 25, 2005, defendants had to admit that FBR's 1st Quarter financial results
27 would be much worse than prior representations and that it has recorded a charge related to the PIPE
28

1 transaction. These public revelations indicated the seriousness of the PIPE manipulations, that FBR
2 had failed to achieve brand name improvement represented and thus the Company's prospects for
3 business success and earnings growth for 2005 and beyond were severely diminished. As investors
4 and the market became aware of these issues the prior artificial inflation came out of FBR's stock
5 price, damaging investors.

6
7 50. As a direct result of defendants' admissions and the public revelations regarding the
8 truth about FBR's previously reported financial results and its actual business prospects going
9 forward, FBR's stock price plummeted 37%, falling from \$19.28 in early March 2005 to \$11.04 per
10 share on May 3, 2005, a drop of \$8.24 per share. This drop removed the inflation from FBR's stock
11 price, causing real economic loss to investors who had purchased the stock during the Class Period.
12 Analysts following the Company were shocked by these adverse revelations, with *Barron's*
13 reporting:

14
15 You know the good times are over when the costs of sponsoring a golf
16 tournament put your earnings in the rough.

17 But that's about the least of the worries lately for *Friedman, Billings Ramsey*
18 *Group*. Joined at the hip to the volatile mortgage-securities sector, FBR's
19 fundamentals have weakened markedly as interest rates have moved higher and
20 margins on its mortgage portfolio have narrowed.

21 FBR, a small Arlington, VA.-based investment bank that merged a few years
22 ago with its leveraged mortgage-securities-based real estate investment trust ("Role
23 Reversal," *Barron's*, Jan. 27, 2003) is now paying the price as the yield curve flattens
24 and its spreads tighten.

25 Moreover, an ongoing government probe into insider trading and activities
26 surrounding the firm's role in managing a private sale of *CompuDyne* stock in 2001
27 has led to the recent abrupt departure of Emanuel "Manny" Friedman, a Talmudic
28 scholar who had been co-chairman and co-chief executive along with Eric Billings.
Billings remains a sole chairman and chief executive. The head trader and chief of
compliance also have left the firm as a result of the same investigation.

Meanwhile, FBR last week forecast first-quarter net income of \$22 million to
\$25 million, or 13 cents to 15 cents a share, less than half the 31 cents a share Wall
Street has been expecting, and sharply down from the 54 cents a share the firm
earned in the year-ago quarter. Revenue is projected to be \$163 million, compared
with \$221 million in the year-ago period.

1 FBR blamed a lack of merchant-banking gains, costs related to its February
2 acquisition of First NLC, a subprime residential-mortgage lender, and compressed
3 spreads in its mortgage-backed-securities portfolio. Expenses associated with its
4 sponsorship of the FBR Open, a PGA tournament held in Scottsdale, Ariz., also hurt
5 results. That's despite charging FBR's guests at the tournament \$5,000 to play a
6 round with pro Phil Mickleson or \$850 for a gift bag filled with golf balls.

7
8 And in a bid to put the taint of the investigation behind it, FBR last week
9 made the unusual move of offering to settle with the Securities and Exchange
10 Commission and the National Association of Securities Dealers and announced its
11 own terms. The company offered to pay \$7.5 million in fines, which it plans to
12 charge against first-quarter earnings.

13
14 In the SEC case, FBR offered to pay about \$3.5 million in disgorgement, civil
15 penalties and prejudgment interest.

16
17 Without admitting or denying any wrongdoing, the firm also said it would
18 consent to a permanent injunction based on violations of the antifraud provisions of
19 federal securities laws.

20
21 In addition, the company also agreed to a censure proceeding that would
22 result in an independent review of its so-called Chinese Wall provisions that are
23 designed to prevent leaks of inside information that could lead to conflicts of
24 interests.

25
26 FBR also offered to settle the alleged violations of the federal antifraud
27 provisions with the NASD and offered to pay \$4 million in fines to that agency.

28
29 Amid the tumult, a few weeks ago the firm fired one of its highest-profile
30 faces, telecommunications analyst Susan Kalla in a separate matter, charging she
31 failed to comply with internal policies and procedures related to trading activity and
32 disclosures. Kalla denies the charges.

33
34 Interestingly, the very chief compliance officer who accused Kalla of
35 violating firm policy left the firm two weeks later in connection with the ongoing
36 insider-trading probe, but not before installing his two sons in FBR's compliance
37 department. (An inside joke at the firm is that FBR stands for "Friends, Brothers &
38 Relatives," a reference to the firm's long-standing clanish employment practices.)

39
40 Closing trading for the week at \$12.09 a share, FBR stock is off about 36% so
41 far this year. That's also a 52-week low and down sharply from its 52-week high of
42 22.

43
44 Even at current levels, some observers think it may have further to go.

45
46 51. In sum, as the truth about defendants' fraud and FBR's business performance was
47 revealed, the Company's stock price plummeted, the artificial inflation came out of the stock and
48 plaintiff and other members of the Class were damaged, suffering economic losses of up to \$8.24 per
49 share.

1 (c) Engaged in acts, practices, and a course of business that operated as a fraud or
2 deceit upon plaintiff and others similarly situated in connection with their purchases of FBR publicly
3 traded securities during the Class Period.

4 56. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of
5 the market, they paid artificially inflated prices for FBR publicly traded securities. Plaintiff and the
6 Class would not have purchased FBR publicly traded securities at the prices they paid, or at all, if
7 they had been aware that the market prices had been artificially and falsely inflated by defendants'
8 misleading statements.

9 57. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and
10 the other members of the Class suffered damages in connection with their purchases of FBR publicly
11 traded securities during the Class Period.

12 **SECOND CLAIM FOR RELIEF**

13 **For Violation of §20(a) of the Exchange Act** 14 **Against All Defendants**

15 58. Plaintiff incorporates ¶¶1-57 by reference.

16 59. The executive officers of FBR prepared, or were responsible for preparing, the
17 Company's press releases and SEC filings. The Individual Defendants controlled other employees
18 of FBR. FBR controlled the Individual Defendants and each of its officers, executives and all of its
19 employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the Exchange
20 Act.

21 **CLASS ACTION ALLEGATIONS**

22 60. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
23 Procedure 23(a) and (b)(3) on behalf of a class consisting of all those who purchased the publicly
24 traded securities of FBR during the Class Period and who were damaged thereby (the "Class").
25 Excluded from the Class are defendants, the officers and directors of the Company, at all relevant
26 times, members of their immediate families and their legal representatives, heirs, successors or
27 assigns and any entity in which defendants have or had a controlling interest.

1 61. The members of the Class are so numerous that joinder of all members is
2 impracticable. Throughout the Class Period, FBR securities were actively traded on the Nasdaq.
3 While the exact number of Class members is unknown to plaintiff at this time and can only be
4 ascertained through appropriate discovery, plaintiff believes that there are hundreds or thousands of
5 members in the proposed Class. Record owners and other members of the Class may be identified
6 from records maintained by FBR or its transfer agent and may be notified of the pendency of this
7 action by mail, using the form of notice similar to that customarily used in securities class actions.

8 62. Plaintiff's claims are typical of the claims of the members of the Class as all members
9 of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is
10 complained of herein.

11 63. Plaintiff will fairly and adequately protect the interests of the members of the Class
12 and has retained counsel competent and experienced in class and securities litigation.

13 64. Common questions of law and fact exist as to all members of the Class and
14 predominate over any questions solely affecting individual members of the Class. Among the
15 questions of law and fact common to the Class are:

16 (a) whether the federal securities laws were violated by defendants' acts as
17 alleged herein;

18 (b) whether statements made by defendants to the investing public during the
19 Class Period misrepresented material facts about the business, operations and management of FBR;
20 and

21 (c) to what extent the members of the Class have sustained damages and the
22 proper measure of damages.

23 65. A class action is superior to all other available methods for the fair and efficient
24 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
25 damages suffered by individual Class members may be relatively small, the expense and burden of
26 individual litigation make it impossible for members of the Class to individually redress the wrongs
27 done to them. There will be no difficulty in the management of this action as a class action.

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PRAYER

WHEREFORE, plaintiff prays for judgment as follows: declaring this action to be a proper class action; awarding damages, including interest; awarding reasonable costs, including attorneys' fees; and such equitable/injunctive or other relief as the Court may deem proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

DATED: May _____, 2005

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