



FBR Capital Markets & Co. Business Continuity Disclosure Statement

FBR Capital Markets & Co. (FBR) is providing you with this document to inform you of its ability to respond to certain business disruptions. We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

Our business continuity plan addresses: data back up and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and assuring our customers prompt access to their funds and securities if we are unable to continue our business.

With regard to client assets, all client funds and securities are held with our clearing firm, J.P. Morgan Clearing Corp. FBR has been supplied with a summary of their business continuity plan and have been advised that its objective is to restore its own operations and be able to complete existing transactions and accept new transactions and payments within 4 to 12 hours. Your orders and requests for funds and securities could be delayed during this period. J.P. Morgan Clearing Corp. is headquartered at 1 MetroTech Center North, Brooklyn, New York 11201, NY, and can be reached at www.jpmorgan.com or toll-free (800) 392-3936 or (347) 643-4927 (Liquidation Orders Only).

To provide clients with up-to-date information during a significant business disruption, clients may call the Firm's emergency telephone number at 800.216.2641 or visit our emergency information Web page at www.fbrcapitalmarkets.com/disaster. The main phone number at FBR is 703.312.9500 or toll-free 800.846.5050.

The following sections describe specific events and our corresponding general response to those events. Clients, however, should note that these responses are subject to modification and, depending on the severity of a specific event; FBR cannot guarantee that it will be able to follow the stated course of action. However, we believe that our planning and continued training and testing will provide an effective response and recovery effort in the event of a business disruption. If these responses are modified, FBR will post the updated disclosure statement on our Web site. In the alternative, clients may request that the Firm send them, by mail, a copy of the updated disclosure statement.

Under the following scenarios, FBR intends to continue its business:

A Disruption to a Single Building

This disruption may be caused by physical damage, technology problems, or an inability to have personnel arrive at the office. Because some buildings, such as the home office, are more critical to our operations, FBR's ability to resume business following a business disruption to a specific building depends on the affected building. If the location is unusable, FBR has duplicative systems that will be run from a separate building. The firm expects only minimal delays from the transfer of operations. If there is a disruption to the home office, FBR expects that critical operations could be disrupted for up to 2 hours. FBR expects that other systems could be disrupted for up to 4 hours.

A Firm-Only Business Disruption

In the event that there is a significant business disruption to FBR's internal primary systems, FBR will transfer its operations to its back-up facilities. In this process, clients may experience a minor delay in reaching the firm due to increased client calls, technology delays, or other minor difficulties arising from the transfer of operations. FBR expects that any delay will be less than 4 hours. The unlikely failure of the telephony system could result in a delay of up to 2 hours.

A Business-District, City-Wide, or Regional Disruption

In the event that there is a significant business disruption that affects the business district, city, or region where any of the firm's primary systems are located, FBR will transfer its operations to its back-up facilities. In this process, clients may experience a minor delay in reaching the firm due to increased client calls, technology delays, or other minor difficulties arising from the transfer of operations. FBR expects that any delay will be less than 24 hours.