



DIVISION OF  
CORPORATION FINANCE

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

January 16, 2007

Vincent J. Badolato, Esq.  
Dechert LLP  
1775 I Street, N.W.  
Washington, DC 20006-2401

**Re: In the Matter of Friedman, Billings, Ramsey & Co., Inc.—Waiver Request under Regulation A and Rule 505 of Regulation D**

Dear Mr. Badolato:

This is in response to your letter dated January 16, 2007, written on behalf of Friedman, Billings, Ramsey & Co., Inc. ("FBR"), and constituting an application for relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D under the Securities Act of 1933. You requested relief from disqualifications from exemptions available under Regulation A and Rule 505 of Regulation D that may have arisen by virtue of the entry of a Final Judgment dated December 22, 2006, by the United States District Court for the District of Columbia in SEC v. Friedman, Billings, Ramsey & Co., Inc., Civil No. 06-2160 (the "Final Judgment"), and the issuance of SEC Release 34-55105, an order dated January 12, 2007 under Section 15(b)(4) of the Securities Exchange Act of 1934 against FBR, by the Securities and Exchange Commission in Administrative Proceeding File No. 3-12538 (the "Order"). The Final Judgment orders disgorgement, imposes civil penalties, and permanently enjoins FBR from violations of Sections 5 and 17(a) of the Securities Act of 1933 and Sections 10(b) and 15(f) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The Order censures FBR and orders FBR to comply with certain undertakings.

For purposes of this letter, we have assumed as facts the representations set forth in your letter and the findings supporting entry of the Final Judgment and Order against FBR. We have also assumed that FBR has complied and will continue to comply with the Final Judgment and Order.

On the basis of your letter, I have determined that FBR has made a showing of good cause under Rule 262 and Rule 505(b)(2)(iii)(C) that it is not necessary under the circumstances to deny the exemptions available under Regulation A and Rule 505 of Regulation D by reason of entry of the Final Judgment and Order against FBR. Accordingly, pursuant to delegated authority, FBR is granted relief from any disqualifications from exemptions otherwise available under Regulation A and Rule 505 of Regulation D that may have arisen as a result of entry of the Final Judgment and Order against it.

Very truly yours,

A handwritten signature in cursive script that reads "Gerald J. Laporte".

Gerald J. Laporte  
Chief, Office of Small Business Policy

January 16, 2007

VINCENT J. BADOLATO

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**VIA HAND DELIVERY**

Gerald J. Laporte, Esq.  
Chief, Office of Small Business Policy  
Division of Corporation Finance  
U.S. Securities and Exchange Commission  
100 F Street, N.E., Mail Stop 3628  
Washington, D.C. 20549

Re: *In the Matter of Friedman, Billings, Ramsey & Co., Inc.*

Dear Mr. Laporte:

We submit this letter on behalf of our client Friedman, Billings, Ramsey & Co., Inc. ("FBR") in connection with the administrative and judicial orders resulting from the above-referenced investigation. FBR is a settling respondent in that investigation by the Securities and Exchange Commission (the "Commission"), which involved a Private Investment in Public Equity ("PIPE") offering for CompuDyne Corporation ("CompuDyne"), where FBR served as the placement agent in October 2001.

FBR requests, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D, promulgated under the Securities Act of 1933 (the "Securities Act"), a waiver of any disqualification from exemptions under Regulation A and Rule 505 of Regulation D that may be applicable to FBR or any of its affiliates as a result of the entry of the administrative and judicial orders described below.

It is our understanding that the Staff of the Division of Enforcement does not object to the granting of the requested waiver.

**BACKGROUND**

FBR engaged in settlement discussions with the Staff of the SEC's Division of Enforcement, along with the Staff of NASD's Department of Market Regulation, in connection with the SEC's and NASD's investigations of the CompuDyne PIPE offering in October 2001. As a result of those discussions, FBR submitted an Offer of Settlement (the "Offer"). In the Offer, solely for the purpose of the proceedings, and any other proceedings brought by or on behalf of the Commission or NASD, or to which the Commission or NASD is a party, FBR consented to the entry of an Order Instituting Proceedings, Making Findings and Imposing Sanctions (the "OIP"), an injunction entered in the District Court for the District of Columbia (the "Injunction"), and an Acceptance, Waiver and Consent ("AWC") issued by NASD,

without admitting or denying the matters or allegations set forth therein (other than those relating to the jurisdiction of the Commission and NASD).

FBR consented to the entry of the Injunction without admitting or denying the allegations in the Commission's Complaint (the "Complaint") (except as to jurisdiction); waived findings of fact and conclusions of law; and waived any right to appeal from the Injunction. The Commission alleged in the Complaint that, in connection with the CompuDyne PIPE offering, FBR failed to establish, maintain and enforce policies and procedures reasonably designed to prevent the misuse of material, nonpublic information, engaged in insider trading and conducted unregistered sales of securities. The Injunction permanently restrains and enjoins FBR and its agents, servants, employees, and attorneys, from violating Sections 5 and 17(a) of the Securities Act and Sections 10(b) and 15(f) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder. The Injunction also requires FBR & Co. to pay disgorgement plus prejudgment interest in addition to civil penalties in an aggregate amount of approximately \$3.7 million.

FBR consented to the entry of the OIP without admitting or denying the findings therein, except as to the Commission's jurisdiction and the findings with regard to the entry of the Injunction. In the OIP, entered on January 12, 2007, the Commission found that the Injunction was entered by consent on December 22, 2006, permanently enjoining FBR from violating Sections 5 and 17(a) of the Securities Act of 1933 and Sections 10(b) and 15(f) of the Exchange Act and Rule 10b-5 promulgated thereunder, in the civil action entitled Securities and Exchange Commission v. Friedman, Billings, Ramsey & Co., Inc., et al., Civil Action Number 1:06CV02160, in the United States District Court for the District of Columbia, which was admitted. The OIP ordered that FBR be censured and that FBR comply with the undertakings enumerated therein.

The AWC made findings, without admission or denial by FBR, that it violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Section 15(f) of the Exchange Act, Section 17(a) of the Securities Act, Section 5 of the Securities Act and certain NASD rules. FBR paid a \$4 million fine in connection with the NASD proceeding.

## DISCUSSION

FBR understands that the entry of the Order and of the Injunction may disqualify it and its affiliated entities from participating in certain offerings otherwise exempt under Regulation A and Rule 505 of Regulation D promulgated under the Securities Act, insofar as FBR is enjoined from causing any future violations of the securities laws. The Commission has the authority to waive the Regulation A and Rule 505 of Regulation D exemption disqualifications upon a showing of good cause that such disqualifications are not necessary under the circumstances. See 17 C.F.R. §§ 230.262 and 230.505(b)(2)(iii)(C).

For the following reasons, FBR requests that the Commission waive any disqualifying effect that the Order or Injunction may have on it, or any of its affiliates, based on a determination that it is not necessary under the circumstances that such exemption under Regulation A and Rule 505 of Regulation D be denied.

1. FBR's alleged conduct does not relate to offerings under Regulation A or D;
2. The individuals alleged to have been involved in the conduct underlying the allegations in the Complaint are no longer employed by FBR or its affiliates;
3. FBR has undertaken significant remedial measures to address concerns raised in the Complaint, including the retention of an independent consulting firm to review and make recommendations regarding the policies, procedures and practices to prevent the misuse of material nonpublic information. FBR also retained an outside law firm to review and make recommendations regarding the policies, procedures and practices to prevent the misuse of material nonpublic information, and FBR implemented recommendations made by its consultants and hired additional employees to enhance its compliance group;
4. FBR shall retain, within 30 days from the date of the entry of the Order, the services of an independent consultant not unacceptable to the Commission's staff to conduct a comprehensive review and prepare a written report regarding FBR's policies, procedures and practices to prevent the misuse of material nonpublic information. FBR shall require the independent consultant to issue and deliver to FBR and the Commission's staff the initial report; which must include a description of the review performed, the conclusions reached, and the independent consultant's recommendations as to how FBR should improve, modify or supplement its policies and procedures to prevent the misuse of material nonpublic information in order to be in compliance with Section 15(f) of the Exchange Act;
5. FBR shall adopt all recommendations made by the independent consultant provided, however, that FBR need not adopt those recommendations it considers to be unduly burdensome, impractical or costly. With regard to those recommendations, FBR shall propose in writing an alternative policy or procedure designed to achieve the same objective or purpose and, as to any recommendations on which FBR and the independent consultant do not agree, such parties shall attempt in good faith to reach an agreement. In the event no agreement is reached, FBR shall abide by the determination of the independent consultant. Within six months after the issuance of the initial report, FBR shall provide to the Commission's staff an affidavit attesting to its implementation of the recommendations and setting forth the details of its implementation of the recommendations;
6. Within one year after the issuance of the initial report, FBR shall require the independent consultant to review FBR's policies, procedures and practices to prevent the misuse of material nonpublic information, and to deliver to FBR and the Commission's staff a final written report analyzing FBR's adoption, implementation, maintenance and enforcement of the policies, procedures and

practices contained in the initial report and the effectiveness of those policies, procedures and practices;

7. The disqualification of FBR from the exemptions available under Regulation A and Rule 505 of Regulation D would, we believe, have an adverse impact on third parties that have retained, or may retain, FBR and its affiliates in connection with transactions that rely on these exemptions;
8. The disqualifications would have a disproportionate impact upon the business of FBR given that FBR (1) is enjoined from future violations of the pertinent securities law provisions; (2) is censured; and (3) paid disgorgement and penalties of approximately \$3.7 million;<sup>1</sup> and
9. The disqualifications would be unduly and disproportionately severe given: (i) the lack of any relationship between the violations addressed in the Order and any Regulation A or D related activity conducted by FBR or its affiliates, and (ii) the fact that the Enforcement Staff and NASD Staff have negotiated a settlement with FBR and reached a satisfactory conclusion to this matter that will include an injunction and the payment of a civil money penalty.

In light of the foregoing, we believe that disqualification is not necessary for the protection of investors nor in the public interest, and that FBR has shown good cause that relief should be granted. Accordingly, we respectfully urge the Commission, and the Division of Corporation Finance pursuant to delegated authority, to waive the disqualification provisions in Regulation A and Regulation D to the extent that they may be applicable to FBR and any of its affiliates as a result of the entry of the Order or Injunction.

<sup>1</sup> In addition, FBR agreed to certain sanctions as part of its resolution of the NASD proceedings, including the payment of a \$4 million fine.

Please do not hesitate to contact the undersigned at 202-261-3389, if you have any questions regarding this request.

Sincerely,



Vincent J. Badolato

cc: Elaine C. Greenberg, Esq. – U.S. Securities and Exchange Commission  
Patricia A. Trujillo, Esq. – U.S. Securities and Exchange Commission  
William Ginivan, Esq. – Friedman, Billings Ramsey & Co., Inc.  
Wallace L. Timmeny, Esq. – Dechert LLP  
Dennis J. Lawson, Esq. – Dechert LLP