



EXECUTE SUCCESSSM

CBOE Research Circular #RS12-593

DATE: November 13, 2012
TO: Permit Holders
RE: **FBR & Co. ("FBRC")**
Partial Self Tender Offer
FROM: Scott Speer

FBR & Co. ("FBRC") has announced a partial tender offer to purchase up to 4,000,000 Shares of FBR & Co. ("FBRC") Common Stock (the "Shares"), at a purchase price not less than \$3.00 and not more than \$3.25 per share, less any applicable withholding taxes, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase and in the related Letter of Transmittal (together, the "Offer") dated November 5, 2012.

The Offer, proration period, and withdrawal rights will expire at 12:00 Midnight, New York City time, on Monday, December 3, 2012, unless extended.

The Offer is not conditioned upon any minimum number of Shares being tendered. The Offer is, however, subject to certain other conditions set forth in the Offer.

THE FOREGOING DISCUSSION IS AN UNOFFICIAL SUMMARY OF THE TERMS OF THE OFFER, PREPARED BY CBOE FOR THE CONVENIENCE OF ITS PERMIT HOLDERS. CBOE ACCEPTS NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS SUMMARY. PERMIT HOLDERS SHOULD REFER TO THE OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL DATED NOVEMBER 5, 2012, FOR THE AUTHORITATIVE DESCRIPTION OF THE OFFER AND ALL OF ITS TERMS AND CONDITIONS.

Special Risk for Uncovered Writers

Permit Holders are advised of a special risk undertaken by writers of call options who remain uncovered with the approach of the expiration date, proration date, or similar cut-off date for a tender offer. If an option is exercised on or before such date, the assigned writer may not be notified of the assignment until after that date. In that event, neither a regular-way purchase of the underlying stock, nor the exercise of an option (e.g., the long leg of a spread) will enable him to deliver the underlying stock on the settlement date for the assignment. If he fails to make settlement in respect of the assignment, he may be subject to liability under the "liability notice" procedures of a correspondent clearing corporation without necessarily being entitled to comparable protection in connection with his purchase or exercise.

Short Tendering

In order to comply with SEC Rule 14e-4 (formerly, Rule 10b-4), which prohibits hedged tendering, market participants must be net long the amount of securities they have tendered both at the time of tender and at the end of the proration period. In determining one's net long position, those shares underlying short in-the-money call options that were written on or after the date that a tender offer is first publicly announced or otherwise made known by the bidder to the holders of the security to be acquired, must be subtracted. For the purposes of SEC Rule 14e-4, in-the-money call options

will be those options with strike prices below the highest tender offer price or stated amount for the current offer price noted above, or the offer price or stated value of any other subsequent tender offer.

The foregoing discussion is an unofficial summary of the Short Tender Rule and its application to this Offer. CBOE accepts no responsibility for the accuracy or completeness of this summary and its application. Questions regarding the Short Tender Rule - SEC Rule 14e-4 can be directed to the U.S. Securities and Exchange Commission, Office of Interpretation and Guidance, Division of Trading and Markets, at (202) 551-5777.

Adjustment Policy for Tender Offers

Interpretation .03 to Article VI, Section 11 of OCC's By-Laws states:

Adjustments will not be made to reflect a tender offer or exchange offer to the holders of the underlying security whether such offer is made by the issuer of the underlying security or by a third person or whether the offer is for cash, securities or other property. This policy will apply without regard to whether the price of the underlying security may be favorably or adversely affected by the offer or whether the offer may be deemed to be "coercive". Outstanding options ordinarily will be adjusted to reflect a merger, consolidation or similar event that becomes effective following the completion of a tender offer or exchange offer.

As a result, FBRC options will not be adjusted to reflect the expiration of the Offer. FBRC options will only be adjusted following the consummation of a merger, consolidation, or similar event.

Questions regarding this memo can be addressed to Options Industry Services at 1-888-OPTIONS (1-888-678-4667). CBOE contract adjustment memos can also be accessed from CBOE.com at the following web address:

<http://www.cboe.com/ContractAdjustments>