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FBR ASSET INVESTMENT CORP/VA

Form 425

November 19, 2002

Filed by Friedman, Billings, Ramsey Group, Inc.
Pursuant to Rule 425 under the Securities Act of 1933
and deemed filed pursuant to Rule 14a-12 under the Securities Act of 1934

Subject Company: FBR Asset Investment Corporation
Commission File No: 001-15049

On November 19, 2002, Friedman, Billings, Ramsey Group, Inc. ("FBR Group") and FBR Asset Investment Corporation ("FBR Asset") distributed the following information:

FORWARD LOOKING INFORMATION

Statements concerning projections, future performance, developments, events, market forecasts, revenues, expenses, earnings, run rates and any other guidance on present or future periods constitute forward-looking statements. These forward-looking statements are subject to a number of factors, risks, and uncertainties that might cause actual results to differ materially from stated expectations or current circumstances. These factors include, but are not limited to, the overall environment for interest rates, repayment speeds within the mortgage-backed securities market, risk associated with equity investments, the demand for public offerings, activity in the secondary securities market, the high degree of risk associated with technology and other venture capital investments, competition for business and personnel, and general economic, political, and market conditions. Additional information concerning factors that could cause actual results to differ materially is contained in FBR Asset's Annual Report on Form 10-K and quarterly reports on Form 10-Q, and FBR Group's Annual Report on Form 10-K and quarterly reports on Form 10-Q.

PROXY INFORMATION

In connection with the proposed transactions, Friedman, Billings, Ramsey Group, Inc. and FBR Asset Investment Corporation will file a joint proxy statement/prospectus with the Securities and Exchange Commission. Investors and security holders are urged to carefully read the joint proxy statement/prospectus regarding the proposed transactions when it becomes available, because it will contain important information. Pro forma information contained in the following materials may be changed in the joint proxy statement/prospectus. Investors and security holders may obtain a free copy of the joint proxy statement/prospectus (when it is available) and other documents containing information about Friedman, Billings, Ramsey Group, Inc. and FBR Asset, without charge, at the SEC's web site at <http://www.sec.gov>. Free copies of both companies' filings may be obtained by directing a request to 1001 Nineteenth Street North, Arlington, Virginia 22209, Attention: Investor Relations.

PARTICIPANTS IN SOLICITATION

FBR Group, FBR Asset and their respective directors, executive officers and other members of their management and employees may be soliciting proxies from their respective stockholders in connection with the proposed merger. Information concerning FBR Group's participants in the solicitation is set forth in FBR Group's proxy statement for its annual meeting of stockholders, filed with the SEC on May 30, 2002. Information concerning FBR Asset's participants in the solicitation is set forth in FBR Asset's proxy statement for its annual meeting of stockholders, filed with the SEC on April 23, 2002.

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NEW FBR GROUP STRUCTURE

On November 19, 2002, Friedman, Billings, Ramsey Group, Inc. ("FBR Group") and FBR Asset Investment Corporation ("FBR Asset") distributed the following information with respect to certain tax implications of the proposed merger between the parties:

POST-DEAL STRUCTURE;

- New FBR Group will be a REIT owning a series of Taxable REIT subsidiaries ("TRSs") that conduct activities that are not REIT-eligible, mainly the existing business of FBR Group. This post merger structure is exactly the type of structure that was intended and contemplated when Congress enacted the TRS provisions.

- The merger should be thought of as combining a REIT with a group of taxable corporations. The REIT-eligible assets and activities will continue to be held in a REIT format. The assets and activities that are not REIT-eligible will be held in TRSs, where the profit from those assets and activities will be fully subject to corporate income tax and may be retained.

- New FBR Group will manage the existing and new TRSs so that they fully comply with the applicable tax rules.

- Note when reading the various REIT rules below that New FBR Group will have total assets in excess of \$6 billion. Hence the value of the TRSs or securities owned which are obligations or capital securities of the TRS could reach approximately \$1.2 billion or higher and still fall within the rules.

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SEE STATEMENT CONCERNING FORWARD LOOKING INFORMATION.

PAGE 1

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REIT RULE GUIDE

- There are four REIT tests that are applicable to TRSs
 - 20% limitation on aggregate TRS value relative to total asset value
 - 25% limitation on "bad" asset value relative to total asset value
 - 95% gross income test
 - 75% gross income test

- In applying all of these tests, the REIT and all of its subsidiaries other than its TRSs generally are consolidated. The TRSs, however, are not consolidated with the REIT for tax purposes, but instead are treated as separate entities. Under both the asset and income tests, the REIT's actual ownership of equity and debt securities of the TRSs is taken into account.

- 20% limitation on TRSs: Although a REIT may own up to 100% of the stock and

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securities of one or more TRSs, the aggregate value of all TRS equity and debt securities held by the REIT may not exceed 20% of the total value of the REIT's gross assets. This limitation applies at the end of each calendar quarter.

- 25% "bad" asset limitation: Under the 75% asset test, at least 75% of the

value of the REIT's gross assets must consist of "good" assets. TRS stock and securities are considered "bad" assets under this asset. Thus, TRS stock and securities, along with other "bad" assets, cannot exceed 25% of the total value of the REIT's gross assets. This limitation also applies at the end of each calendar quarter.

- Gross income tests: Because TRSs are not consolidated with the REIT for

purposes of the income tests, income earned by the TRSs does not directly impact the REIT's compliance with the gross income tests. Dividends paid by a TRS to the REIT, however, do impact the gross income tests. TRS dividends are "good" income under the 95% gross income test, but "bad" income under the 75% gross income test, regardless of what type of underlying income the TRS earned. The income tests apply on a calendar year basis.

- Profits earned by TRSs do not impact the REIT's distribution requirement until they are paid as a dividends to the REIT. TRS dividends are included in the REIT's taxable income for purposes of the distribution test.

- Because a TRS is subject to corporate income tax, while a REIT is not, there are strict rules regarding the REIT's need to deal with its TRSs on an arm's-length basis. Significant penalties apply to any non-arm's-length transactions between a REIT and a TRS that have the effect of reducing the TRS's tax liability. In addition, there are limits on the ability of a TRS to deduct interest paid to a REIT.

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PAGE 2

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1 YR. CMT W/ MARGIN VS. 1 MO. LIBOR

[Line graph depicting the following data]

May-82	0.86
Nov-82	1.94
May-83	2.29
Nov-83	2.70
May-84	3.04
Nov-84	2.84
May-85	2.67
Nov-85	1.91

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May-86	2.07
Nov-86	2.00
May-87	1.88
Nov-87	1.06
May-88	2.29
Nov-88	1.31
May-89	1.42
Nov-89	1.16
May-90	2.22
Nov-90	0.81
May-91	2.41
Nov-91	2.19
May-92	2.49
Nov-92	1.83
May-93	2.62
Nov-93	2.34
May-94	3.26
Nov-94	3.10
May-95	1.99
Nov-95	1.63
May-96	2.58
Nov-96	2.07
May-97	2.34
Nov-97	1.80
May-98	2.01
Nov-98	1.16
May-99	2.28
Nov-99	1.47
May-00	1.97
Nov-00	1.37
May-01	1.82

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Nov-01 2.19
 May-02 2.75
 Nov-02 2.33

Note: CMT is Constant Maturity Treasury with 225bps margin

Source: Bloomberg, Federal Reserve

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PAGE 3

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BROKER/DEALER COMPARABLES

\$ MILLIONS	MARKET CAP (1)	2003E P/E	PRICE/BOOK	I
FBR PRO FORMA	\$1,258	6.4x	1.23x	
Morgan Stanley	45,596	13.2	2.13	
Goldman Sachs	37,117	16.2	1.97	
Merrill Lynch	34,058	13.1	1.53	
Lehman Bros.	13,568	12.8	1.52	
Bear Stearns	8,892	11.5	1.49	
Legg Mason(2)	3,331	16.1	2.85	
A.G. Edwards	2,698	15.9	1.66	
Raymond James(3)	1,478	17.6	1.79	
Jefferies Group	1,102	15.3	1.88	
SWS Group	218	NA	1.15	
Stifel Financial	82	NA	0.97	
MEAN BROKER/DEALER	\$13,467	14.6x	1.72x	

- (1) Market data as of November 18, 2002, except FBR Pro Forma, which is calculated based on the close of the day prior to the date that the transaction was announced.
 (2) Earnings forecast for fiscal year end March 2004
 (3) Earnings forecast for fiscal year end September 2003

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PAGE 4

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FBR ASSET MBS PORTFOLIO

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For the Nine Months Ending 30-Sep-2002

Sector	Current Face (\$000)	Market Value (\$000)	Annual Income	% of Portfolio	Average Coupon
ARM	5,618,770	5,789,145	252,966	99.44%	5.27%
Fixed	31,869	33,360	13,709	0.56%	7.00
TOTAL	5,650,639	5,822,505	266,675	100.00%	5.28

	Average Yrs to Mat	Book Yield	Modified Duration	Effective Duration	Relevant Prepayment Assumptions
ARM	2.55	4.74%	2.38	1.37	30.37
Fixed	2.27	5.34	2.00	1.00	56.71
TOTAL	2.55	4.75	2.37	1.37	30.53

[Pie Charts depicting the following information:]

GNMA	5%	Fixed	1%
FNMA	36%	ARM	99%
FHLMC	59%		

ADDITIONAL NINE MONTH INFORMATION AND CORRECTED BOOK YIELD AND PREPAYMENT ASSUMPTION INFORMATION

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PAGE 5

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INDEPENDENT BROKER/DEALER COMPARABLES

Broker/Dealer Return on Equity

	Period End	Annualized ROE
1 Legg Mason, Inc*	30-Sep-02	16.8%
2 Bear Stearns	31-Aug-02	15.8%

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3	FBR ESTIMATED PRO FORMA	30-SEP-02	15.7%
4	Morgan Stanley	31-Aug-02	14.3%
5	Merrill Lynch	27-Sep-02	12.4%
6	Lehman Brothers	31-Aug-02	12.1%
7	Goldman Sachs	30-Aug-02	11.6%
8	Jefferies Group	27-Sep-02	10.7%
9	Raymond James Financial*	28-Jun-02	9.5%
10	A.G. Edwards Inc.*	31-Aug-02	8.1%
11	Stifel Financial Corp.	30-Sep-02	1.9%
12	SWS Group**	27-Sep-02	-0.4%

* Six months annualized

** Three months annualized

NET INCOME AS % of REVENUE

	Period end	After Tax	
1	FBR ESTIMATED PRO FORMA	30-SEP-02	35.8%
2	Merrill Lynch	27-Sep-02	13.7%
3	Bear Stearns	31-Aug-02	12.8%
4	Legg Mason, Inc.**	30-Sep-02	11.6%
5	Morgan Stanley	31-Aug-02	9.1%
6	Goldman Sachs	30-Aug-02	9.0%
7	Jefferies Group	27-Sep-02	8.3%
8	Lehman Brothers	31-Aug-02	6.2%
9	A.G. Edwards Inc.**	31-Aug-02	5.6%
0	Raymond James Financial	28-Jun-02	5.1%
1	Stifel Financial Corp.	30-Sep-02	0.8%
2	SWS Group*	27-Sep-02	-1.0%

* Three months ended

** Six months ended

INDEPENDENT BROKER/DEALER EQUITY CAPITAL

	Period End	Equity Capital	Equity Capital Less Goodwill	
1	Merrill Lynch	27-Sep-02	\$22,299	\$17,978
2	Morgan Stanley	31-Aug-02	21,416	19,969
3	Goldman Sachs	30-Aug-02	18,844	18,844
4	Lehman Brothers	31-Aug-02	8,909	8,713
5	Bear Stearns	31-Aug-02	5,954	5,954
6	A.G. Edwards Inc.	31-Aug-02	1,627	1,627
7	Legg Mason, Inc.	30-Sep-02	1,168	715
8	NEW FBR GROUP (EST PRO FORMA)	30-SEP-02	1,013	887
9	Raymond James Financial	28-Jun-02	831	769
10	Jefferies Group	27-Sep-02	609	609
11	SWS Group	27-Sep-02	250	250
12	Stifel Financial Corp.	30-Sep-02	79	75

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PAGE 6

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INDEPENDENT BROKER/DEALER COMPARABLES

INDEPENDENT BROKER/DEALER REVENUE BREAK DOWN	Nine Month Period End	Total Revenue	Interest& Dividends	Investment Banking	Principal Transactions& Commissions
1 NEW FBR GROUP (EST. PRO FORMA)	30-SEP-02	\$ 310	39%	37%	7%
2 Lehman Brothers	31-Aug-02	12,648	70%	11%	19%
3 Morgan Stanley	31-Aug-02	24,845	49%	7%	19%
4 Goldman Sachs	30-Aug-02	17,806	48%	12%	19%
5 Merrill Lynch	27-Sep-02	21,775	46%	9%	25%
6 SWS Group *	27-Sep-02	197	38%	11%	38%
7 Bear Stearns	31-Aug-02	5,370	32%	14%	51%
8 Jefferies Group	27-Sep-02	575	12%	19%	66%
9 Raymond James Financial	28-Jun-02	1,133	11%	8%	66%
10 Stifel Financial Corp.	30-Sep-02	147	8%	25%	54%
11 Legg Mason, Inc. **	30-Sep-02	813	7%	7%	30%
12 A.G.Edwards Inc. **	31-Aug-02	1,755	5%	11%	55%

* Three months ended

** Six months ended

INDEPENDENT BROKER/DEALER EXPENSE BREAKDOWN

	Nine Month Period End	Comp/Net Revenue
1 NEW FBR GROUP (EST. PRO FORMA)	30-SEP-02	44%
2 Morgan Stanley	31-Aug-02	46%
3 Bear Stearns	31-Aug-02	49%
4 Goldman Sachs	30-Aug-02	50%
5 Lehman Brothers	31-Aug-02	51%
6 Merrill Lynch	27-Sep-02	52%
7 SWS Group *	27-Sep-02	56%
8 Jefferies Group	27-Sep-02	58%
9 Legg Mason, Inc. **	30-Sep-02	59%
10 A.G. Edwards Inc. **	31-Aug-02	66%
11 Stifel Financial Corp.	30-Sep-02	68%
12 Raymond James Financial	28-Jun-02	76%

* Three months ended

** Six months ended

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