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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-50280

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2011 AND ENDING December 31, 2011
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: FBR Investment Services, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
1001 19th Street North

(No. and Street)
Arlington, VA 22209

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Janelle R. Schutt 703-312-9747

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers LLP

(Name - if individual, state last, first, middle name)

1800 Tysons Boulevard, McLean, VA 22102

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Janelle Schutt, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FBR Investment Services, Inc., as of December 31, 20 11, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Embossed Hereon is My
Commonwealth Of Virginia Notary Public Seal
My Commission Expires October 31, 2015
ANN MARIE PULSCH

Janelle Schutt
Signature

Chief Financial Officer & Treasurer
Title

Ann Marie Pulsch
Notary Public

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

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FBR Investment Services, Inc.

**Statement of Financial Condition
December 31, 2011**



FBR Investment Services, Inc.

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December 31, 2011

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Report of Independent Public Accountants

To the Board of Directors of
FBR Investment Services, Inc.:

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of FBR Investment Services, Inc. (the "Company") at December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

February 28, 2012

FBR Investment Services, Inc.
Statement of Financial Condition
December 31, 2011

Assets	
Cash and cash equivalents	\$ 743,314
Receivables:	
12b-1 fees	196,982
Due from affiliates	9,313
Other	964
Prepaid expenses and other assets	19,170
Total assets	<u>\$ 969,743</u>
Liabilities and Shareholder's Equity	
Liabilities:	
Accounts payable and accrued expenses	\$ 365,988
Due to affiliates	170,181
Total liabilities	<u>536,169</u>
Commitments and Contingencies (Note 6)	
Shareholder's equity:	
Common stock, \$1 par value, 2,000 shares authorized, 1,000 shares issued and outstanding	1,000
Additional paid-in capital	27,000,455
Accumulated deficit	<u>(26,567,881)</u>
Total shareholder's equity	<u>433,574</u>
Total liabilities and shareholder's equity	<u>\$ 969,743</u>

The accompanying notes are an integral part of this financial statement.

FBR Investment Services, Inc.

Notes to Statement of Financial Condition

December 31, 2011

Note 1. Organization and Nature of Operations:

FBR Investment Services, Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is a Delaware corporation that operates as a distributor of affiliate mutual funds. The Company is a wholly-owned subsidiary of FBR Asset Management, Inc. ("FBR AMH"), which is a wholly-owned subsidiary of FBR & Co.

Note 2. Significant Accounting Policies:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the Company bases its estimates and assumptions on historical experience, market information (when available), and various other factors that it believes to be reasonable under the circumstances, management exercises significant judgment in the final determination of its estimates. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash equivalents include demand deposits with banks, money market accounts and highly liquid investments with original maturities of three months or less that are not held for sale in the ordinary course of business. As of December 31, 2011, the Company's cash and cash equivalents balance consists entirely of demand deposits with banks.

Income Taxes

Deferred tax assets and liabilities represent the differences between the financial statement and income tax bases of assets and liabilities using enacted tax rates. The measurement of net deferred tax assets is adjusted by a valuation allowance if, based on our evaluation and our consideration of the criteria in ASC 740, "Income Taxes" ("ASC 740"), it is more likely than not that they will not be realized. The Company's policy for recording interest and penalties associated with uncertain tax positions is to record such items as a component of other operating expenses in the statement of operations.

Note 3. Related-Party Transactions:

The Company is a member of an operating group of affiliates that may provide or receive services to and from each other. From time to time, FBR & Co. and other affiliates may record costs, which, in part, may be based on the Company's operations. Accordingly, the statement of financial condition and results of operations may not necessarily be indicative of the financial position and operations that would have existed had the Company been operated as an unaffiliated corporation.

As of December 31, 2011, the Company had an income tax receivable due from FBR & Co. for \$9,313 and a payable to FBR & Co. for \$170,181.

FBR Investment Services, Inc.

Notes to Statement of Financial Condition

December 31, 2011

Note 4. Income Taxes:

The Company joins in the filing of a consolidated Federal income tax return with FBR & Co. The Company's current income tax expense is calculated on a separate company basis. Income and expenses are included as utilized in the consolidated return.

Deferred tax assets and liabilities consisted of the following as of December 31, 2011:

Net operating loss - federal	40,482
Net operating loss - state	5,180
AMT credit	390
Total deferred tax asset	<u>\$ 46,052</u>
Valuation allowance	(46,052)
Net deferred tax asset	<u><u>\$ -</u></u>

As of December 31, 2011, the Company has federal tax net operating losses of \$115,663. The federal tax net operating losses of \$46,729 and \$68,934 will expire in years 2030 and 2031, respectively. The Company also has state net operating loss carryovers of \$7,969 on a tax effected basis (excluding the effect of federal offset), which will begin to expire in the year 2028.

The Company has established a full valuation allowance against these assets since the Company believes that based on the criteria in ASC 740-10 it is more likely than not that the benefits of these assets will not be realized in the future.

The Company does not have any liability for uncertain tax positions as of December 31, 2011. The Internal Revenue Service completed the examination of the tax returns for years 2006 to 2008 and did not propose any adjustments. As of December 31, 2011, tax years subsequent to December 31, 2005 remain open under the federal statute of limitations due to net operating loss carrybacks as well as for the Company's state jurisdiction. The Company is currently not under audit in any jurisdiction.

Note 5. Regulatory Capital Requirements:

The Company is registered with the SEC and is a member of FINRA. As such, the Company is subject to minimum net capital requirements promulgated by the SEC. As of December 31, 2011, the Company had net capital of \$202,145 which was \$166,400 in excess of its required net capital of \$35,745.

The Company is exempt from the provisions of Rule 15c3-3 under the Securities and Exchange Act of 1934, (the "Rule") based on section k(1) of the Rule because its operations are limited to the distribution of mutual funds.

FBR Investment Services, Inc.

Notes to Statement of Financial Condition

December 31, 2011

Note 6. Commitments and Contingencies:

Litigation

As of December 31, 2011, except as described below, the Company was neither a defendant or plaintiff in any lawsuits or arbitrations nor involved in any governmental or self-regulatory organization ("SRO") matters that are expected to have a material adverse effect on the Company's financial condition, results of operations or liquidity. The Company is a defendant in a small number of civil lawsuits and arbitrations (together, "litigation") relating to its various businesses. In addition, the Company is subject to various reviews, examinations, investigations and other inquiries by governmental agencies and SROs. There can be no assurance that these matters individually or in aggregate will not have a material adverse effect on the Company's financial condition or results of operations in a future period. However, based on management's review with counsel, resolution of these matters is not expected to have a material adverse effect on the Company's financial condition, results of operations or liquidity.

Many aspects of the Company's business involve substantial risks of liability and litigation. Broker-dealers and investment advisers are exposed to liability under Federal and state securities laws, other Federal and state laws and court decisions, including decisions with respect to underwriters' liability and limitations on indemnification, as well as with respect to the handling of customer accounts. For example, underwriters may be held liable for material misstatements or omissions of fact in a prospectus used in connection with the securities being offered and broker-dealers may be held liable for statements made by their securities analysts or other personnel. In certain circumstances, broker-dealers and asset managers may also be held liable by customers and clients for losses sustained on investments. In recent years, there has been an increasing incidence of litigation and actions by government agencies and SROs involving the securities industry, including class actions that seek substantial damages. The Company is also subject to the risk of litigation, including litigation that may be without merit. As the Company intends to actively defend such litigation, significant legal expenses could be incurred. An adverse resolution of any future litigation against the Company could materially affect the Company's financial condition, operating results and liquidity.