EXHIBIT A

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BY EMAIL & CERTIFIED MAIL

Federal National Mortgage Association
Office of the Secretary of the Corporation
3900 Wisconsin Avenue, NW (MS 1H 2S 05)
Washington, DC 20016-2892

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Chairman of the Board
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Board of Directors of the Federal National Mortgage Association
Office of the Secretary of the Corporation
3900 Wisconsin Avenue, NW (MS 1H 2S 05)
Washington, DC 20016-2892
board@fanniemae.com

RE: Demand for Inspection of Books and Records Pursuant to 8 *Del. C.* § 220 Response within Five Business Days Required

Dear Federal National Mortgage Association and Ladies and Gentlemen of the Board:

We represent Timothy Pagliara (the "Stockholder"), the beneficial owner of stock in the Federal National Mortgage Association ("Fannie Mae" or the "Company"). This letter is the Stockholder's demand to inspect the books and records of the Company pursuant to the General

Corporation Law of the State of Delaware (the "DGCL"), specifically 8 *Del. C.* § 220 (the "Demand").[1] Verified documentary evidence of the Stockholder's beneficial ownership of stock in Fannie Mae is attached hereto as Exhibit 1, and such documentary evidence is a true and correct copy of what it purports to be. A notarized and sworn statement appointing the undersigned to act on the Stockholder's behalf is attached hereto as Exhibit 2.

I. Books and Records to be Inspected

Pursuant to Section 220 of the DGCL, the Stockholder hereby demands that the Company provide the Stockholder, along with the attorneys, representatives, and agents of the Stockholder designated through the enclosed notarized and sworn statement, the opportunity to inspect the following books and records during the Company's usual business hours, and to make copies and extracts therefrom. The relevant time period for this Demand is from August 17, 2011 through and including the date of the Demand (the "Relevant Time Period"). The information subject to the Demand includes:

(1) All Board Materials concerning the Third Amendment to Amended and Restated Senior Preferred Stock Purchase Agreement, dated August 17, 2012 (the "Net Worth Sweep"), between the United States Department of the Treasury ("Treasury") and the Company, acting through the Federal Housing Finance Agency ("FHFA") as conservator.[2]

(2) All Board Materials concerning the involvement of FHFA and/or Treasury in the management of the business and affairs of the Company and the respective roles and responsibilities of FHFA, Treasury, and the Board of Directors of the Company (the "Board" or the "Board of Directors"), including but not limited to:

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[1] Fannie Mae's bylaws designate that the DGCL controls Fannie Mae's corporate governance practices and procedures. *See* Fannie Mae Bylaws § 1.05.

[2] For purposes of this Demand, the term "Board Materials" means (a) minutes of any meeting, including meetings held in person, telephonically, electronically, or via any other means, (including draft minutes and draft or proposed consents or resolutions) of the Company's Board of Directors or any committee thereof, (b) meeting agendas for any meeting of the Company's Board of Directors or any committee thereof, (c) written consents or other written resolutions adopted by the Company's Board of Directors or any committee thereof, (d) presentations, reports, summaries, analyses, exhibits and other written materials reviewed, considered, provided to, or prepared for or by the Board of Directors or any committee thereof in connection with any meeting, written consent, or written resolution, (e) notes or summaries of any meeting (or portion of any meeting) of the Company's Board of Directors or any committee thereof, and (f) any communications, recommendations or proposals with or to stockholders of the Company in connection with any consents or resolutions adopted by the Board of Directors or any committee thereof.

a) All Board Materials concerning FHFA's and/or Treasury's formal approval of Company business decisions, transactions, policies, and/or other matters; and

b) All Board Materials concerning FHFA's and/or Treasury's directives and/or instructions to the Company, including "alignment directives," "letters of instruction," "advisory bulletins," and/or "external communication standards."

(3) All FHFA and/or Treasury directives and/or instructions to the Company, including but not limited to "alignment directives," "letters of instruction," "advisory bulletins," and/or "external communication standards."

(4) All Board Materials concerning the declaration and/or payment of dividends to Treasury (as the holder of the Company's senior preferred stock), including but not limited to Board Materials concerning or analyzing surplus, capital, par value, net assets, total assets, total liabilities, net profits or any other lawful source for payment of any such dividend pursuant to Section 170 of the DGCL.

(5) All Board Materials concerning the declaration and/or payment of dividends pursuant to the Net Worth Sweep, including but not limited to Board Materials concerning or analyzing surplus, capital, par value, net assets, total assets, total liabilities, net profits or any other lawful source for payment of any such dividend pursuant to Section 170 of the DGCL.

(6) All Board Materials concerning any report, analysis, or evaluation of the solvency or insolvency of the Company.

(7) Books and records sufficient to show the net worth of the Company immediately before and after the payment of the Net Worth Sweep to Treasury for each quarter from August 17, 2012, through the present.

(8) Books and records sufficient to show the aggregate par or stated values of the issued and outstanding shares of all classes of capital stock of the Company at the times of each payment of the Net Worth Sweep from August 17, 2012, through the present.

(9) All Board Materials pertaining to the Company's outstanding public securities, shareholders, and debtholders, including but not limited to the conduct of the conservatorship as administered by FHFA and/or Treasury, and the impact of decisions made by FHFA and/or Treasury on the Company's outstanding public securities, shareholders and debtholders.

(10) All Board Materials concerning the Company's investment in Common Securitization Solutions, LLC ("CSS") or the Common Securitization Platform (the "CSP"), whether directly or indirectly, all contracts entered into by the Company regarding CSS or the CSP, all directives, instructions, or other

documents received by the Company from FHFA, Treasury, any other Executive Branch personnel (including at the White House), or Legislative Branch personnel relating to the creation and implementation of either CSS or the CSP, and any formal business plans developed by the Company with respect to its investments in CSS or the CSP.

(11) All policies, handbooks, rules, directives, instructions, procedures, or other documents concerning FHFA's and/or Treasury's oversight of the Company's public statements, including the subject matter or content of speeches, interviews, press releases, congressional testimony, and/or the Company's website.

(12) A list of stockholders and a stock ledger.

(13) Books and records sufficient to show whether the Company's directors have been elected by written consent in lieu of an annual meeting in the past 13 months.

(14) Books and records sufficient to show any directors and officers insurance policies maintained for the benefit or protection of the Company's directors.

II. Purposes of the Demand

The purposes of the Demand are:

(a) to investigate potential breaches of fiduciary duty by directors and/or officers of the Company, by FHFA, and/or by Treasury in connection with the matters discussed below;

(b) to investigate FHFA's and/or Treasury's aiding and abetting breaches of fiduciary duty by directors and/or officers of the Company in connection with the matters discussed below;

(c) to investigate mismanagement, waste, wrongdoing, and/or violations of law by directors and/or officers of the Company, by FHFA, and/or by Treasury in connection with the matters discussed below;

(d) to determine the respective roles and responsibilities of FHFA and the Board of Directors in the management of the business and affairs of the Company;

(e) to determine whether FHFA and/or the Board of Directors has improperly disregarded the corporate form of the Company and/or applicable statutes relating to the duties and responsibilities of the Board of Directors of the Company;

(f) to determine the Company's position as to the rights of the Company's stockholders (other than Treasury);

(g) to determine whether dividends have been declared and/or paid by the Company's Board of Directors consistently with Delaware law;

(h) to determine whether the Company had a surplus or net profits out of which dividends lawfully could be declared and paid at the time of the declaration and payment of the dividends pursuant to the Net Worth Sweep for each quarter from August 17, 2012, through the present, and whether the Company's directors could be personally liable for the payment of unlawful dividends under Section 174 of the DGCL;

(i) to determine whether payments made pursuant to the Net Worth Sweep constitute a fraudulent conveyance or fraudulent transfer under applicable law;

(j) to determine the Company's financial safety and soundness and overall risk management practices, and whether FHFA and/or the Board of Directors is ensuring that the Company operates in a safe and sound manner;

(k) to determine the extent of independence and disinterestedness of the Board of Directors and whether the Board has acted in good faith, in connection with the matters described herein, to determine, among other matters, whether a pre-suit demand is necessary or would be excused prior to commencing any derivative action on behalf of the Company;

(l) to communicate with other Company stockholders regarding matters of concern to such stockholders; and

(m) to value the stock held by the Stockholder.

III. The Statutory and Fiduciary Duties of the Board

As you know, Fannie Mae's corporate governance is governed by Delaware law. *See* Fannie Mae Bylaws § 1.05. The Board therefore must comply with all provisions of the DGCL[3] and also owes fiduciary duties to act in the best interests of Fannie Mae and its stockholders at all times. *See, e.g.*, *Polk v. Good*, 507 A.2d 531, 536 (Del. 1986) ("In performing their duties the directors owe fundamental fiduciary duties of loyalty and care to the corporation and its shareholders."); *Virtus Capital L.P. v. Eastman Chem. Co.*, 2015 Del. Ch. LEXIS 34, at *46 n.5

[3] *See Grayson v. Imagination Station, Inc.*, 2010 Del. Ch. LEXIS 169, at *14 (Aug. 16, 2010) ("The Delaware General Corporation Law ("DGCL") establishes a structural relationship between the corporation and its officers, directors, and shareholder. Although the DGCL empowers corporate directors and officers to act for the corporation, the DGCL also imposed certain restraints on the use of this authority."); *see also*, *LeCrenier v. Cent. Oil Asphalt Corp.*, 2010 Del. Ch. LEXIS 246, at *16 (Dec. 22, 2010) (recognizing that directors breach their fiduciary duties if they fail to comply with DGCL provisions).

(Feb. 11, 2015) (noting that "[s]tockholders' best interest must always, within legal limits, be the end" for directors in fulfilling their fiduciary duties) (quoting law review article).

The Board continues to owe these statutory and fiduciary duties despite and irrespective of FHFA's conservatorship. The Housing and Economic Recovery Act of 2008 ("HERA") did not eliminate or alter these duties.[4] Although, under HERA, FHFA succeeded to the rights of Fannie Mae's stockholders, this did not eliminate the Board's duties. Under the governing Delaware law, the stockholders did not even possess the power to eliminate the Board's duties.[5]

The Board's statutory and fiduciary duties are similarly unaffected by FHFA's directions that certain corporate acts be approved by FHFA or Treasury. The Board is required to exercise its fiduciary duty in the best interest of the corporation, regardless of whether its decision is ultimately subject to the approval of a controlling stockholder or other person.[6] Under Delaware law, the Board's fiduciary duties may never be delegated away from the Board. *See Omnicare, Inc. v. NCS Healthcare, Inc.*, 818 A.2d 914, 937 (Del. 2003) (noting that the board of directors "could not abdicate its fiduciary duties to the minority [stockholders] by leaving it to the stockholders alone to approve or disapprove [a] merger agreement [where] two stockholders had

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[4] HERA provides Fannie Mae's Board of Directors with immunity from liability only for the decision to consent to the appointment of a conservator. *See* 12 U.S.C.A. § 4617 ("The members of the board of directors of a regulated entity shall not be liable to the shareholders or creditors of the regulated entity for acquiescing in or consenting in good faith to the appointment of the Agency as conservator or receiver for that regulated entity.")

[5] *See Pfeiffer v. Toll*, 989 A.2d 683, 707 (Del. Ch. 2010) ("Delaware's consistent corporate philosophy has been to grant deference to boards in exercising their authority to direct and oversee the business and affairs of the corporation, balanced by . . . [protection of the right] to elect new directors and meaningful enforcement of fiduciary duties, with particular emphasis on the duty of loyalty. Section 102(b)(7) embodies this policy by precluding a certificate of incorporation from purporting to eliminate or limit the personal liability of a director" for certain wrongs, including breach of the duty of loyalty.). Delaware law, by statute, is inflexible with respect to the imposition of these fiduciary duties on all directors. *See* 8 *Del. C.* § 102(b)(7) (mandating that certificates of incorporation "shall not eliminate or limit the liability of a director: (i) [f]or any breach of the director's duty of loyalty to the corporation or its stockholders; (ii) [f]or acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under § 174 of this title [for unlawful payment of divided or unlawful stock purchase or redemption]; or (iv) for any transaction from which the director derived an improper personal benefit").

[6] *See, e.g.*, Federal National Mortgage Association, Form 8-K, at 1-2 (Dec. 19, 2008) ("[T]he conservator directed the Board to consult with and obtain the consent of the conservator before taking action in . . . actions involving capital stock, dividends, [and] the Senior Preferred Stock Purchase Agreement between the U.S. Department of the Treasury and Fannie Mae . . . .").

already combined to establish a majority of the voting power that made the outcome of the stockholder vote a foregone conclusion"). [7] The Board of Fannie Mae continues to owe all the statutory and fiduciary duties provided by Delaware law. Those fiduciary duties require the Board to act to protect the stockholders' interests to the full extent of its power, no matter how constrained that may be. *See Omnicare,* 818 A.2d at 937.

For the above reasons, any claim asserting that the Board owes fiduciary duties only to FHFA is woefully mistaken, and the Board may not rely upon the assertion. *See, e.g., Smith v. Van Gorkom*, 488 A.2d 858, 888 (Del. 1985) (holding that the trial court "erred in according to the [director] defendants the benefits of the business judgment rule" where "the Board was mistaken as a matter of law regarding its available courses of action" under 8 Del. C. § 251(b) with respect to a merger).[8]

The Board remains exposed to liability on claims for breaches of statutory and fiduciary duties. The statutory prohibition on court actions that restrict or affect the conservator's powers and functions do not bar claims that (a) challenge conduct inconsistent with the conservatorship, (b) seek monetary relief, or (c) are asserted against the Board.[9] Nor does it or any other portion

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[7] *Cf. CA, Inc. v. AFSCME Empls. Pension Plan*, 953 A.2d 227, 240 (Del. 2008) (holding that proposed stockholder bylaw provision was invalid under Delaware law because it did not reserve the directors' "full power to exercise their fiduciary duty"); *Blades v. Wisehart*, 2010 Del. Ch. LEXIS 227, at *34, *42 (Nov. 17, 2010) (finding a stock split invalid under Section 242(b)(1) of the DGCL even where defendants asserted that "subjective agreement existed among [the company's only two stockholders], and the [company's] directors with respect to the stock split"); *Nagy v. Bistricer*, 770 A.2d 43, 49 (Del. Ch. 2000) (noting that the duty of good faith is a constant reminder that "regardless of his motive, a director who consciously disregards his duties to the corporation and its stockholders may suffer a personal judgment for monetary damages for any harm he causes").

[8] Of course, general assertions as to the nature of the Board's fiduciary duties do not have the force of law. This is particularly true when no formal action has been taken to eliminate such duties and the elimination of such duties would not serve the purpose of the conservatorship. The purpose of HERA is to ensure the financial soundness of the Company. *See, e.g.*, 12 U.S.C. § 4513(a)(1)(B)(i) ("The principal duties of the Director [of FHFA] shall be . . . to ensure that—(i) each regulated entity operates in a safe and sound manner, including maintenance of adequate capital and internal controls . . . .").[8] In the circumstances described herein, any purported elimination of the Board's fiduciary duty to facilitate the removal of Fannie Mae's entire net worth would undermine the financial soundness of the Company. FHFA has no power to change the DGCL — before, during or after the imposition of a conservatorship — and no authority to act contrary to the purposes of the conservatorship.

[9] *See* 12 U.S.C. § 4617(f) ("Except as provided in this section or at the request of the Director [of FHFA], no court may take any action to restrain or affect the exercise of powers or functions of [FHFA] as a conservator or a receiver.").

of HERA bar stockholders from asserting claims for decisions or omissions in which FHFA and/or Treasury have a conflict of interest.[10] Finally, to the extent that any claim might possibly be barred by HERA, the bar would cease upon termination of the conservatorship, with the result that the members of the Board would then be newly exposed to liability for breaches that took place *during* the conservatorship.[11]

IV. Breaches of the DGCL and Fiduciary Duties

As detailed below, the Stockholder has a credible basis to believe that the Board of Directors has breached and continues to breach its statutory and fiduciary duties to Fannie Mae and its stockholders, aided and abetted by FHFA and Treasury. The Stockholder also has a credible basis to believe that FHFA and Treasury have also violated statutory and fiduciary duties owed to the Company and its stockholders.

Section 141(a). Section 141(a) of the DGCL "mandates" that "[t]he business and affairs of every corporation organized under this chapter shall be managed by or under the direction of a board of directors[.]" *Carmody v. Toll Bros.*, 723 A.2d 1180, 1191 (Del. Ch. 1998) (quoting 8 *Del. C.* § 141(a)). Here, the Board appears to have abdicated to FHFA and Treasury its role in managing important aspects of the business and affairs of Fannie Mae, including decisions as to whether to issue the Senior Preferred Stock to Treasury, to amend the terms thereof, and to declare and pay dividends to Treasury. *See, e.g.*, *Fannie Mae Quarterly Report on Form 10-Q*, p.

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[10] *See Kellmer v. Raines*, 674 F.3d 848, 850 (D.C. Cir. 2012) (explaining that, if a "manifest conflict of interest by the conservator" had been at issue, HERA would not bar shareholder derivative actions); *First Hartford Sav. Corp. Pension Plan & Trust v. United States*, 194 F.3d 1279, 1295 (Fed. Cir. 1999) (holding, where FDIC's statutory receivership authority includes the right to control prosecution of legal claims on behalf of bank under FDIC receivership, that the FDIC could not prohibit a shareholder of the bank under receivership from bringing a derivative suit alleging breach by FDIC of a contract between the government and the bank under receivership, because FDIC had a conflict of interest when it "was asked to decide on behalf of the [bank] in receivership whether it should sue the federal government based upon breach of contract, which, if proven, was caused by the FDIC itself").

[11] Debate in Congress recently confirmed, in connection with approving the Consolidated Appropriations Act, 2016 – Section 702, that the conservatorship has a finite duration, regardless of the Third Amendment and other developments. For example, in discussing provisions in the Consolidated Appropriations Act concerning Treasury's preferred stock, Senate Minority Leader Harry Reid noted that "As then-Secretary Paulson described, conservatorship was meant to be a 'time out' not an indefinite state of being." Banking Committee Ranking Member Sen. Sherrod Brown then added: ". . . The FHFA and Treasury Department could have placed the GSEs into receivership if the intent was to liquidate them. The purpose of a conservatorship is to preserve and conserve the assets of the entities in conservatorship until they are in a safe and solvent condition as determined by their regulator."

45 (November 5, 2015) ("The Director of FHFA directs us to make dividend payments on the senior preferred stock on a quarterly basis."). The members of the Board may be liable for breach of fiduciary duty in abdicating their statutorily prescribed responsibilities. *See, e.g., Grimes v. Donald*, 1995 Del. Ch. LEXIS 3, at *27 (Jan. 11, 1995) ("The board may not either formally or effectively abdicate its statutory power and its fiduciary duty to manage or direct the management of the business and affairs of this corporation."). Similarly, FHFA and Treasury appear to have aided and abetted the violation by directing the Board to abdicate its statutorily prescribed responsibilities.

Section 151. The Board also appears to have violated Section 151 of the DGCL by approving on behalf of Fannie Mae or otherwise permitting Fannie Mae to agree to the Net Worth Sweep and the dividends declared and paid pursuant to the Net Worth Sweep. Under Delaware law, preferred stock of a corporation cannot be given a cumulative dividend right equal to all the net worth of the corporation in perpetuity. Section 151 of the DGCL allows preferred stockholders to receive dividends "at such rates, on such conditions and at such times as shall be stated in the certificate of incorporation or in the [board] resolution . . . ." 8 *Del. C.* § 151(c). Preferred stock dividends must be made "payable in preference to, or in . . . relation to, the dividends payable on any other class or classes or of any other series of stock[.]" *Id.* Section 151 does not permit a provision requiring that a series of preferred stock receive a quarterly dividend equal to the entire net worth of a corporation to the necessary exclusion (in perpetuity) of any dividends ever being paid on junior stock. In fact, Section 151(c) specifically contemplates that, after payment of preferential dividends on senior preferred stock, "a dividend on the remaining class or classes or series of stock may then be paid out of the remaining assets of the corporation available for dividends . . . ." *Id.*

Because the Net Worth Sweep diverts, in perpetuity, all of the net worth of Fannie Mae to Treasury, it neither is paid at a "rate" nor is it payable "in preference to" or "in relation to" the dividends payable to other classes or series of stock. The Net Worth Sweep is not paid at a "rate" because Treasury's participation in corporate earnings growth is unlimited, absolute, and perpetual. The Net Worth Sweep is not payable "in preference to" or "in relation to" the dividends payable to other classes or series of stock because it is payable to the absolute, permanent exclusion of dividends to other stockholders. Once the Net Worth Sweep is paid each quarter, there necessarily will be no assets remaining in the Company that would ever be available for the payment of dividends on any other classes or series of stock regardless of how valuable the Company is or may become in the future. Accordingly, the Net Worth Sweep is invalid under Section 151(c) of the DGCL and is *void ab initio* and unenforceable. *See Staar Surgical Co. v. Waggoner*, 588 A.2d 1130, 1137 (Del. 1991) (holding that trial court had no basis to grant the appellees ownership of shares that the trial court had concluded were invalid under Section 151); *Blades v. Wisehart*, 2010 Del. Ch. LEXIS 227, at *37, *48 (Nov. 17, 2010) (determining that the defendants' shares were not properly authorized pursuant to Section 242 and were thus void). The members of the Board may be personally liable for approving or permitting an agreement to pay unlawful dividends and approving or permitting the dividends paid pursuant to the agreement. *See Terr. of the U.S. V.I. v. Goldman, Sachs & Co.*, 937 A.2d 760, 794 (Del. Ch. 2007) ("§ 174 of the DGCL expressly addresses the subject of liability for the

payment of illegal dividends . . . . The statute provides for a cause of action against the directors authorizing the dividends, with specific proof requirements, and contains a six-year limitations period.") (internal footnotes omitted).

Section 242(b)(2). The Board appears to have violated Section 242(b)(2) of the DGCL by approving on behalf of Fannie Mae or otherwise permitting Fannie Mae to agree to the Net Worth Sweep without the requisite stockholder vote. The Board similarly appears to have breached its fiduciary duties in approving or permitting the payment of dividends pursuant to stock amended in violation of Section 242(b)(2). Section 242(b)(2) of the DGCL provides, in pertinent part, "The holders of the outstanding shares of a class shall be entitled to vote as a class upon a proposed amendment, whether or not entitled to vote thereon by the certificate of incorporation, if the amendment would . . . alter or change the powers, preferences, or special rights of the shares of such class so as to affect them adversely. If any proposed amendment would alter or change the powers, preferences, or special rights of 1 or more series of any class so as to affect them adversely, but shall not so affect the entire class, then only the shares of the series so affected by the amendment shall be considered a separate class for the purposes of this paragraph." 8 *Del. C.* § 242(b)(2). Because the Net Worth Sweep adversely affects the rights of the junior stockholders without their affirmative consent, it violates Section 242(b)(2) of the DGCL and is unenforceable. *See, e.g.*, *Farahpour v. DCX, Inc.*, 635 A.2d 894, 899-900 (Del. 1994) ("Section 242(b)(2) expressly provides that a class of stockholders is entitled to a class vote on a proposed amendment 'whether or not [the class is] entitled to vote thereon by the certificate of incorporation' if the amendment adversely affects the rights of the class."). The members of the Board may be personally liable for breach of fiduciary duty by approving an agreement to issue stock in violation of Section 242(b)(2) and approving or permitting the payment of dividends pursuant to such an agreement.

Relatedly, Fannie Mae's junior preferred stock also includes contractual provisions granting the junior preferred stock a class vote with respect to any amendment that would alter or change the powers, preferences, or special rights of the junior preferred stock so as to affect them adversely. *See, e.g.*, Certificate of Designation of Terms of Non-Cumulative Convertible Series 2004-1 Preferred Stock § 7(c). In addition to violating Section 242(b)(2)'s requirement that all junior classes of stock vote to approve the Net Worth Sweep before it could be affected, the Board also appears to have breached the junior preferred stock's contractual rights in this regard.

Failure to obtain the necessary stockholder votes to approve the Net Worth Sweep likely renders the Net Worth Sweep void *ab initio* under well-established Delaware law. *See, e.g.*, *Blades v. Wisehart*, 2010 Del. Ch. LEXIS 227, at *37, *48 (Nov. 17, 2010) (determining that the defendants' shares were not properly authorized pursuant to Section 242 and were thus void).

Waste from the Net Worth Sweep. The Board appears to have violated its fiduciary duty not to engage in the waste of corporate assets, by approving or permitting the Net Worth Sweep and the dividends paid pursuant thereto, which benefitted Treasury for no consideration to Fannie Mae. "Under Delaware law, directors waste corporate assets when they approve a decision that cannot be attributed to 'any rational business purpose.'" *Calma v. Templeton*, 114 A.3d 563, 590 (Del. Ch. 2015) (quoting *Sinclair Oil Corp. v. Levien*, 280 A.2d 717, 720 (Del.

1971)). Stated another way, directors are liable for corporate waste when they authorize an "exchange of corporate assets for consideration so disproportionately small as to lie beyond the range at which any reasonable person might be willing to trade." *In re Nat'l Credit S'holders Litig.*, 2003 Del. Ch. LEXIS 5, at *47-48 (Jan. 10, 2003). Here, because the Company apparently received no additional consideration in exchange for the Net Worth Sweep, pursuant to which the Company has paid more than $100 billion to Treasury, no business person of ordinary, sound judgment could possibly have concluded that the Company received adequate consideration for this massive expropriation of economic value from the Company to Treasury. As such, the Company's directors appear to be liable for corporate waste. *Id.*, at *48-49 (declining to dismiss claim for corporate waste against directors in connection with acquisition of property "at an outrageous price" where there was no reasonable argument that the company gained any synergies from the acquisition).

Unfair Transaction with Controlling Stockholder. Treasury and the Board appear to have breached fiduciary duties by implementing the Net Worth Sweep and by paying dividends pursuant to the Net Worth Sweep because they constituted unfair transactions with Fannie Mae's controlling stockholder. Treasury is the controlling stockholder of Fannie Mae because it exercises control over the Company and its Board of Directors independently and through FHFA. *See, e.g., Superior Vision Servs. v. ReliaStar Life Ins. Co.*, 2006 Del. Ch. LEXIS 160 at *17 (Aug. 25, 2006) (observing, in the context of a dispute over dividends, that ". . . questions of control by a significant shareholder should be assessed at the board level in terms of whether the board's capacity to exercise its judgment independently has been impaired."). As the controlling stockholder of Fannie Mae, Treasury owed a fiduciary duty of entire fairness to the Company and its minority stockholders, including a duty to pay a fair price and a duty to deal fairly. *Weinberger v. U.O.P., Inc.*, 457 A.2d 701, 711 (Del. 1983) ("The concept of fairness has two basic aspects: fair dealing and fair price."); *Gradient OC Master, Ltd. v. NBC Universal, Inc.*, 930 A.2d 104, 130 (Del. Ch. 2007) ("The Supreme Court has held that when a controlling shareholder extracts a financial benefit from the shareholders and procures a financial benefit exclusive to himself, the non-controlling shareholders have a direct claim for breach of fiduciary duty. . . . [U]pon the determination that a controlling shareholder has effected such financial redistribution, the entire fairness standard applies and defendants must then prove that the transaction alleged involved fair dealing and fair price.").

Treasury appears to have unfairly received enormous benefits through the Third Amendment in exchange for no consideration. When the Net Worth Sweep was implemented, Fannie Mae's financial condition had improved significantly, and its "expected ability to deliver value to taxpayers ha[d] grown markedly. In the first six months of 2012, [before the Net Worth Sweep was implemented, the Company] reported $7.8 billion in net income, and [by October 2012,] the company ha[d] paid $25 billion in dividends to the Treasury."[12] Adjusting the

[12] Remarks Prepared for Delivery by Timothy J. Mayopoulos, President and Chief Executive Officer, Fannie Mae, at the MBA Annual Conference, Chicago, Il. (Oct. 22, 2012),

dividend rate on Treasury's preferred stock from a fixed 10% to all of Fannie Mae's capital was an enormously valuable change for Treasury. But, Treasury did not pay a fair price in exchange for the Net Worth Sweep. The Company and its minority stockholders received no additional investments or value of any sort in exchange for entering into the Net Worth Sweep.

The Net Worth Sweep also was the product of an unfair process that Treasury dictated. Treasury stood on both sides of the decision to implement the Net Worth Sweep, to the benefit of Treasury and the detriment of the Company and Fannie Mae stockholders other than Treasury.

The Net Worth Sweep therefore constituted an unfair, self-dealing transaction with Fannie Mae's controlling stockholder. As such, Treasury breached its fiduciary duties to the Company and to its minority stockholders in implementing the Net Worth Sweep. The members of the Board may also be liable for breach of their fiduciary duty in approving or permitting an unfair transaction with Fannie Mae's controlling stockholder. *See Owen v. Cannon*, 2015 Del. Ch. LEXIS 165, at *85-93 (Mar. 17, 2015) (holding directors liable for breaching their fiduciary duties as directors by approving a self-interested and unfair transaction); *In re LNR Property Corp. S'holder Litig.*, 896 A.2d 169, 171, 179 (Del. Ch. 2005) (declining to dismiss claim that "directors breached their fiduciary duties when they allowed the purportedly conflicted controlling shareholders to negotiate (and later vote to authorize) the merger on terms that were inadequate and unfair to the public stockholders"). Finally, FHFA may also be liable, at least for aiding and abetting these breaches of fiduciary duty.

Sections 170 and 173. Through the Net Worth Sweep, the Board appears to have authorized or permitted an inevitable breach of Sections 170 of the DGCL. Section 170 of the DGCL provides that dividends may only be paid out of "surplus," defined by Section 154 to mean "the excess of net assets over the par value of the corporation's issued stock," *Klang v. Smith's Food & Drug Ctrs., Inc.*, 702 A.2d 150, 153 (Del. 1997), or out of net profits. Section 173 of the DGCL provides that a corporation may not pay dividends except in compliance with the DGCL. Where stock does not have an explicit par value, surplus is calculated as the excess of the net assets over the consideration paid for the stock. 8 *Del. C.* § 154. The Net Worth Sweep may now violate Section 170 of the DGCL—and certainly will violate Section 170 once the "Applicable Capital Reserve Amount" is reduced to zero beginning on January 1, 2018—because it contemplates payment of dividends to Treasury beyond the surplus or net profits of the Company, that is, out of the Company's capital. 8 *Del. C.* § 170(a); *see also id.* §§ 154, 174, 244. Put differently, pursuant to the Net Worth Sweep, the "Dividend Amount" comprises the entire net worth of the Company—i.e., total assets less total liabilities – plus a decreasing reserve amount. When the decreasing reserve amount is lower than the Company's capital, the Net Worth Sweep appears to contemplate the distribution of the Company's capital in the form of dividends, which will violate Section 170. The Net Worth Sweep therefore appears to be unlawful and void. *See, e.g., Quadrant Structured Prods. Co. v. Vertin*, 102 A.3d 155, 200-01

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available at: http://www.fanniemae.com/portal/about-us/media/speeches/2012/speech-mayopoulos-2012mba-annual-conference.html.

(Del. Ch. 2014) ("Section 170(a) requires that dividends be paid (i) out of surplus or (ii) '[i]n case there shall be no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.'").

The Board and the individual directors may be held personally liable for these apparent violations of Sections 170 and 173. *See, e.g.*, *Johnston v. Wolfe*, 487 A.2d 1132, 1136 (Del. 1985) ("8 *Del. C.* § 174, provides in essence that directors who are guilty of 'wilful or negligent violation' of the statutes governing the purchase or redemption by the corporation of its own stock or of the issuance of dividends on its own stock (8 *Del. C.* §§ 160, 173), 'shall be jointly and severally liable at any time within 6 years after paying such unlawful divided or after such unlawful stock purchase or redemption, to the corporation and to its creditors in the event of its dissolution or redemption . . .'"); *Quadrant*, 102 A.3d at 201 ("Section 174 makes directors personally liable for the declaration of an unlawful dividend 'to the corporation, and to its creditors in the event of its dissolution or insolvency, to the full amount of the dividend unlawfully paid, or to the full amount unlawfully paid for the purchase or redemption of the corporation's stock, with interest from the time such liability accrued.'"). Even if the directors did not approve the dividends, they may be held liable for dividends in violation of Section 173 if they do not affirmatively voice disagreement with the payment of such dividends. *See Dalton v. Am. Inv. Co.*, 1981 Del. Ch. LEXIS 647, at *2-3 (June 4, 1981) (Section 174 "provides that directors of a Delaware corporation are jointly and severally liable for any willful or negligent violation of either 8 *Del. C.* § 160 . . . , or for a violation of 8 *Del. C.* § 173, with regard to an improper payment of dividends – except that a director absent at the time the action is taken, or a dissenting director, may exonerate himself by causing his dissent to be entered in the minutes and upon the books of the corporation in the most expeditious means possible thereafter.").

Relatedly, the Net Worth Sweep also may constitute a fraudulent transfer. *See, e.g., id.* at 195-200; 6 *Del. C.* §§ 1304-05.

Breach of the Duty of Loyalty from the Company's Investments in CSS/CSP. The Board also appears to have violated its fiduciary duty of loyalty, specifically its duty of good faith, by approving or permitting the Company's investments in CSS and the CSP and pursuit of the single security. The duty of good faith, a subset of the duty of loyalty, requires the board of a Delaware corporation to manage the corporation for the financial benefit of its stockholders. *See Virtus Capital L.P. v. Eastman Chem. Co.*, 2015 Del. Ch. LEXIS 34, at *46 (Feb. 11, 2015) ("[Directors of a Delaware corporation] owe fiduciary duties of loyalty and care to the corporation, which require that the directors exercise their managerial authority on an informed basis in the good faith pursuit of maximizing the value of the corporation for the benefit of its residual claimants, viz., the stockholders."). A board breaches its duty of good faith when it prioritizes initiatives or expenditures that do not generate financial return for the stockholders, even if those initiatives arguably serve a public good. *See, e.g.*, *eBay Domestic Holdings, Inc. v. Newmark*, 16 A.3d 1, 32, 34-35 (Del. Ch. 2010) (directors breached their fiduciary duties in approving action that sought "*not* to maximize the economic value of a for-profit Delaware corporation for the benefit of its stockholders" and did not "translate[] into increased profitability for stockholders"); *id.* at 34 (Directors of a for-profit Delaware corporation are bound by

fiduciary duties and standards that accompany the for-profit corporate form. "Those standards include acting to promote the value of the corporation for the benefit of its stockholders.").

On October 22 and November 9, 2012, Fannie Mae's CEO announced that "[t]he company is no longer run for the benefit of private shareholders."[13] He went on to state "Instead, it is managed in the overall interest of taxpayers, which is consistent with the substantial public investment in the company." *Id.* Thereafter, he described Fannie Mae's "two equally important priorities" as "first, to support the housing recovery, and second, to help lay the foundation for a better housing finance system going forward." *Id.* Mr. Mayopoulos' description of Fannie Mae's priorities and the purpose for which Fannie Mae is being operated are in direct violation of the purpose that a Delaware corporation must have. The Board has permitted the Company to be run for these purposes and with these priorities; it therefore appears to have breached the duty of good faith aspect of its fiduciary duty of loyalty to the Company's stockholders.

Apparently pursuant to these improper purposes and priorities, in October 2013, the Company and the Federal Home Loan Mortgage Corporation ("Freddie Mac") established CSS, a jointly owned limited liability company, to develop and eventually operate the CSP. Fannie Mae Fiscal Year 2014 Form 10-K, at 30. The CSP is intended to eventually replace certain elements of Fannie Mae and Freddie Mac's separate and proprietary systems for securitizing mortgages and related associated back office and administrative functions, as well as to ultimately provide a common platform for other market participants. *Id.* CSS is described as "an important milestone in FHFA's goal of building a new secondary market infrastructure."[14] According to FHFA, this infrastructure is intended to "support a competitive, resilient, and liquid secondary mortgage market to the benefit of homeowners and renters[.]"[15] Moreover, the Company has pursued the single security, which will ultimately replace the Company's securitization and eliminate a substantial market advantage that Fannie Mae enjoys. Improving

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[13] Mayopoulos, Timothy J., "Remarks Prepared for Delivery by Timothy J. Mayopoulos, President and Chief Executive Officer, Fannie Mae, at the MBA Annual Conference, Chicago, Il. (Oct. 22, 2012), available at: http://www.fanniemae.com/portal/about-us/media/speeches/2012/speech-mayopoulos-2012mba-annual-conference.html and Mayopoulos, Timothy J., "Remarks Prepared for Delivery by Timothy J. Mayopoulos, President and Chief Executive Officer, Fannie Mae, at the National Association of REALTORS Conference, Orlando, FL (Nov. 9, 2012), available at http://www.fanniemae.com/portal/about-us/media/speeches/2012/speech-mayopoulos-2012national-association-of-realtors-conference.html.

[14] Callie Dosberg, *CEO, Board Members Named at Common Securitization Solutions, LLC*, News Release, Fannie Mae (Nov. 3, 2014), http://www.fanniemae.com/portal/about-us/media/corporate-news/2014/6187.html.

[15] 2015 Scorecard for Fannie Mae, Freddie Mac and Common Securitization Solutions, at 1 (Jan. 2015), http://www.fhfa.gov/aboutus/reports/reportdocuments/2015-scorecard.pdf.

the value and profit of the Company, the necessary goal of this Board's management of the Company, is not identified as a goal of CSS, the CSP, or the single security. Public comments make clear that these developments are intended to and universally expected to harm the Company by eliminating its current competitive advantages over Freddie Mac and others.[16] The Board would breach its fiduciary duty of good faith, and could be held personally liable for doing so, if its approval of the Company's investments in CSS, the CSP, and the single security was given for the purpose of furthering FHFA's or Treasury's policy objectives, despite obvious harm to the Company.

Waste from the Company's Investments in CSS/CSP. The Board also appears to have breached its fiduciary duty not to engage in the waste of corporate assets by approving or permitting the investments in CSS and the CSP and pursuing the single security. From 2012 to mid-2015, Fannie Mae and Freddie Mac spent approximately $146 million supporting CSS and the development of the CSP. *See* FHFA, An Update on the Common Securitization Platform, 2, September 15, 2015. In 2014 alone, Fannie Mae contributed $43 million to CSS. Federal National Mortgage Association (Fannie Mae), Form 10-K, at F-11 (Feb. 20, 2015). But, despite Fannie Mae's significant monetary contribution to the development of the CSP, when the CSP launches in 2016, only Freddie Mac will participate in it. *Id.* at 3. It remains uncertain when—if ever—Fannie Mae will participate in, let alone benefit from, the CSP. Because the Company's expenditures on CSS and the CSP appear not to benefit the Company and its stockholders, FHFA and/or the Company's directors appear to be liable for corporate waste. As stated previously, the members of the Board may be held personally liable for approving or permitting waste of corporate assets. *See Kaufman v. Beal*, 1983 Del. Ch. LEXIS 391, at *27 (Feb. 25, 1983) (finding that plaintiffs met their burden of showing, at least by inference, "that a majority of the directors may be personally liable for approving what may be found to be waste").

Unlawful Disregard of Corporate Form. The Board, FHFA and Treasury have failed to respect the Company's separate corporate existence, as required under Delaware law. *See Schoon v. Smith*, 953 A.2d 196, 2014 (Del. 2008) (recognizing that "the separate corporate existence and identity of corporate entities" is an "established principle of Delaware corporate law"). As summarized above, it appears that they have failed to respect the proper role of the Fannie Mae Board and the rights of Fannie Mae's stockholders, have treated Fannie Mae's assets as assets of Treasury, and have used Fannie Mae to pursue government policy objectives, without regard to the harm to Fannie Mae. In each case, this conduct can lead to substantial liability for the Company's directors. *See Somerville S Trust v. USV Partners, LLC*, 2002 Del. Ch. LEXIS 103, at *23-24 (Aug. 2, 2002) (permitting books and records demand for the purpose of investigating possible mismanagement where the court found credible plaintiff's claim that director mismanaged defendant company by disregarding corporate formalities). The

[16] Letter from David L. Ledford, Senior Vice President of National Association of Home Builders, to Federal Housing Finance Agency (Oct. 14, 2014), *available at* https://www.fhfa.gov//AboutUs/Contact/Pages/input-submission-detail.aspx?RFIId=286.

Stockholder requires access to the books and records of the Company to investigate this apparent breach of fiduciary duty, as well as to investigate the other apparent breaches described above.

* * *

We believe that this Demand complies with the provisions of Section 220 in all material respects. If the Company believes otherwise, we request that you contact the undersigned immediately in writing. Such correspondence shall set forth the facts that the Company contends support its position, and shall specify, as appropriate, any additional information believed to be required, so that any purported deficiencies may be addressed promptly.

Under Section 220, if you do not respond to this Demand within five business days of the date hereof, the Stockholder will be entitled to seek appropriate relief. In any event, we look forward to discussing this demand with you (or your counsel) at your earliest convenience.

We look forward to your prompt response.

Very truly yours,

C. Barr Flinn

CBF:KLL

Enclosures
cc: Brian P. Brooks, Esq. (via e-mail)

EXHIBIT 1

TIMOTHY J PAGLIARA SEP IRA
INVESTMENT ACCOUNT

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

STERNE AGEE

STERNE AGEE & LEACH INC C/F
TIMOTHY J PAGLIARA SEP IRA

TOTAL ACCOUNT VALUES

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TIMOTHY J PAGLIARA SEP IRA

INVESTMENT ACCOUNT SUMMARY

Statement Period: 12/01/15 to 12/31/15

ASSET SUMMARY

	This Month	Prior Month
Cash or Cash Alternatives		
Equities		
Options		
Fixed Income Securities		
Total Invested Assets		
Less Debit Balance		
Total Account Value		
Total Combined Value		

CASH ACTIVITY

	This Period

EARNINGS SUMMARY

	This Period	Year-to-Date
Money Fund Earnings		
Dividends		
Total Income		

TIMOTHY J PAGLIARA SEP IRA

Statement Period: 12/01/15 to 12/31/15

SEP-IRA

	This Month	Current Year	Prior Year
Distributions			

IMPORTANT INFORMATION ABOUT YOU

Under Securities and Exchange Rule 17a-3 Books and Records Requirements, the following information * must be presented for your review. Your Broker Dealer makes investment recommendations or suitability determinations based in part on the financial information shown below originally obtained from you upon the occasion of opening your account or through adjustments as directed by you. Please review this data and if you find inaccuracies or incomplete information please call the branch office serving your account indicated on the first page of this statement.

* To prevent possible improper use of certain information (identity theft) we have omitted your social security/tax identification number as well as date of birth as shown on our records.

MESSAGES

Special Notice:

A copy of the full balance sheet of Sterne, Agee & Leach, Inc., is available at no cost by accessing the web site www.sterneagee.com or

TIMOTHY J PAGLIARA SEP IRA

Statement Period: **12/01/15 to 12/31/15**

SEP-IRA

MESSAGES

calling the following toll free number:

1-800-778-6257

Net Capital at September 30, 2015: $36,333,821
Required Net Capital at September 30, 2015: $3,285,489

ACCOUNT NUMBER

Statement Period: **12/01/15 to 12/31/15**

PORTFOLIO HOLDINGS - CASH OR CASH ALTERNATIVES

Insured Bank Deposit funds are held by respective banks and therefore the amount related to the FDIC money sweep is an FDIC insured product and is not covered under SIPC insurance. Balances are insured up to the FDIC limit per bank, subject to the combined total of all your deposits at a specific bank including those outside this account.

Amount	Description	Yield	Banks of Deposit	Amount
	STERNE AGEE INSURED / DEPOSIT PROGRAM			

Total Cash or Cash Alternatives

Percentage of Total Invested Assets

PORTFOLIO HOLDINGS - EQUITIES

Common Stocks

Total Shares	Description	Symbol	Price	Current Value	Est. Annual Income	Shares Purchased	Unit Cost	Cost Basis	Unrealized Gain/Loss

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

PORTFOLIO HOLDINGS - EQUITIES

Common Stocks

Total Shares	Description	Symbol	Price	Current Value	Est. Annual Income	Shares Purchased	Unit Cost	Cost Basis	Unrealized Gain/Loss

Total Common Stocks

Percentage of Total Equities

PORTFOLIO HOLDINGS - EQUITIES

Preferred Stock

Total Shares	Description	Symbol	Price	Current Value	Est. Annual Income	Shares Purchased	Unit Cost	Cost Basis	Unrealized Gain/Loss

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

PORTFOLIO HOLDINGS - EQUITIES

Preferred Stock

Total Shares	Description	Symbol	Price	Current Value	Est. Annual Income	Shares Purchased	Unit Cost	Cost Basis	Unrealized Gain/Loss
86,600	FEDL NATL MTG ASSN NON CUML 8.25% SER T PFD PERPTL	FNMAT	4.55	394,030.00		86,600	0.507	43,951.02	350,078.98
202,300	FEDL NATL MTG ASSN NON CUML 8.25% FXD/VAR SER S PFD PERPTL	FNMAS	3.50	708,050.00		202,300	3.930	795,076.01	(87,026.01)

Total Preferred Stock

Percentage of Total Equities

Percentage of Total Invested Assets

PORTFOLIO HOLDINGS - OPTIONS

Total Contracts	Description	Underlying Symbol	Price	Current Value	Est. Annual Income	Contracts Purchased	Unit Cost	Cost Basis	Unrealized Gain/Loss

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

PORTFOLIO HOLDINGS - OPTIONS

Total Contracts	Description	Underlying Symbol	Price	Current Value	Est. Annual Income	Contracts Purchased	Unit Cost	Cost Basis	Unrealized Gain/Loss

Total Options

Percentage of Total Invested Assets

Note: The industry recently converted to the new Options Symbology Initiative format where options symbols can contain a combination of up to 22 letters and numbers. We have elected to begin displaying the underlying security symbol along with the standard contract description in lieu of the new variable length option symbol.

PORTFOLIO HOLDINGS - FIXED INCOME - CORPORATE DEBT

Quantity	Description	Price	Current Value	Est. Annual Income	Shares Purchased	Unit Cost	Cost Basis	Unrealized Gain/Loss	Accrued Interest

Total Fixed Income - Corporate Debt

Percentage of Total Invested Assets

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

SECURITY TRANSACTION ACTIVITY

Date	Transaction	Quantity	Description	Price	Amount

Total Securities Purchased

Total Securities Sold

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

DIVIDENDS

Date	Transaction	Quantity	Description	Amount

Total Dividend Credits

INTEREST

Date	Transaction	Description	Amount

Total Interest Credits

MONEY MARKET ACTIVITY

Date	Transaction	Quantity	Description	Amount

Total Money Market Credits

Total Money Market Debits

Net Money Market

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

OTHER BOOKKEEPING

Date	Transaction	Quantity	Description	Amount

Total Other Bookkeeping Debits

End of Statement

GENERAL INFORMATION

1) Sterne, Agee & Leach, Inc. ("SALI") carries your account pursuant to a clearing agreement governed by FINRA Rule 4311, for your introducing broker-dealer ("IBD") whose name appears on the front page of this statement. SALI may accept without further inquiry or investigation, any instructions from your IBD relating to transactions in your account, including instructions for the withdrawal or transfer of property to or from your account. SALI is not responsible or liable for any acts or omissions of your IBD or its employees, is not responsible to supervise them, and does not provide investment advice or make suitability determinations for them. Your IBD is responsible to adhere to all applicable securities laws and regulations and for the supervision of its associated persons. Further, your IBD is also responsible for, among other things, approving the opening of accounts and obtaining necessary documents; the acceptance, and in certain instances, the execution of orders; the suitability determination of those orders; providing investment advice and the ongoing relationship it has with you. For additional information regarding the division of responsibilities between your IBD and SALI, please refer to the disclosure document you were provided at account opening.
2) All transactions are subject to the rules and customs of the market or exchange and the clearing house, if any, where such transactions are executed, your account agreement(s), and where appropriate, the Federal Reserve Board, the U.S. Securities and Exchange Commission and of the Financial Industry Regulatory Authority ("FINRA").
3) Whenever you are indebted to SALI for any amount, all securities held by it for you in any account which you have an interest shall secure your liabilities to SALI. SALI may, at its sole discretion and without notice to you, close or reduce any or all of your accounts by public or private sale or purchase of all or any securities carried in such accounts; any balance due remaining shall be promptly paid by you.
4) Cash received or paid and securities received or delivered are shown as-of the date of each transaction, while purchases and sales of securities are shown as-of trade date.
5) If this account is a margin account, this is a combined statement of your general account and special memorandum account maintained for you under Regulation T as issued by the Board of Governors of the Federal Reserve System. The permanent record of your special memorandum account is available for inspection upon your request.
6) A financial statement of SALI is available for your inspection at our offices. A copy will be mailed to you upon your written request or you can view it online at www.sterneagee.com.
7) This statement should be retained for your records.
8) In order for your IBD to make proper recommendations relative to your account, it is incumbent upon you to promptly notify your IBD when your financial situation and/or investment objectives change.
9) SALI is required by federal law to provide you and the Internal Revenue Service with tax reporting information relative to your account. SALI does not provide tax advice. Investors must consult their own tax advisors to make appropriate tax treatment determinations. Your statement is not an official accounting of gains and losses. Please refer to your records, trade confirmations, and your Consolidated Form 1099.

ACCOUNT PROTECTION- SALI is a member of the Securities Investors Protection Corporation ("SIPC"). The SIPC protects clients of its member firms against the loss of their securities in the event of the member's insolvency and liquidation. Clients are insured up to a maximum of $500,000, including up to $250,000 in cash balances. For more information about SIPC coverage, an explanatory brochure is available at www.sipc.org or call SIPC at 202.371.8300. SALI provides additional coverage through Lloyd's of London for $24.5 million, including up to $900,000 in cash balances, with an aggregate policy limit of $100 million.

CALLABLE SECURITIES- Securities subject to a partial call will be processed utilizing a random lottery procedure designed to allocate called securities fairly and impartially. For further details refer to the "Callable Securities Procedures" disclosure found in the Important Disclosures section of Sterne Agee's public website, www.sterneagee.com. A hard copy of this disclosure will be provided upon your request.

ESTIMATED ANNUAL INCOME- Est. Annual Income reflects the estimated amount you would earn on a security if your current position and its related income remained constant for a year.

CASH MANAGEMENT- SALI may provide you with a variety of ways in which to maintain funds awaiting re-investment, including: Money Market Mutual Funds, FDIC Insured Deposit Accounts, and Free Credit Balances. Please refer to our Cash Sweep Program Disclosure Statement for further information regarding these options. Money Market Mutual Fund and FDIC Insured Deposit balances may be liquidated on your order and proceeds returned to your account or remitted to you. Free Credit balances are payable upon you demand.

Free Credit Balances- SALI may elect to pay interest on certain balances awaiting investment and reserves the right to eliminate or otherwise change the rate or the manner in which interest on credit balances are paid at any time and without notice to you.

Insured Deposit Program ("IDP")- Funds swept to Sterne Agee's IDP are protected by the Federal Deposit Insurance Corporation up to applicable limits and are not protected by SIPC. If you have funds deposited into a participating Program Bank where you already have other deposits (e.g. banks accounts, CDs, etc.) held in the same capacity, all deposits are aggregated by the FDIC for purposes of determining coverage availability. It is your responsibility to monitor your deposits away from the IDP in Program Banks relative to coverage limits, and where necessary, exercise your right to instruct us not to use a particular Program Bank for your IDP deposits. Information regarding FDIC insurance is available upon request, or by visiting www.fdic.gov.

OPEN ORDERS- The Open Orders segment of this statement reflects open or "good until cancelled" orders not executed by the statement cut-off date. Open buy and sell stop orders are reduced by the amount of dividends or rights on ex-dates unless instructed otherwise by you. You are responsible for orders that are executed due to your failure to cancel existing open orders.

OPTIONS CLIENTS- Information regarding commissions and other charges related to options transactions has been included with trade confirmations. A summary of this information is available from your IBD upon your request. Please advise your IBD promptly of any material changes in your investment objectives and/or financial situation.

PAYMENT FOR ORDER FLOW- SALI receives compensation for directing order flow in certain equity and exchange listed options to certain broker-dealers, market centers or exchanges for execution. The source and amount of any such compensation relating to your orders will be furnished upon your written request.

PUBLIC DISCLOSURE PROGRAM- You may obtain an investor brochure that includes information describing the FINRA Regulation Public Disclosure Program that provides certain types of information about FINRA member firms and their associated persons. This information is available at www.finra.org or by calling the FINRA Regulation Public Disclosure Program Hotline at 800.289.9999.

STATEMENT FREQUENCY- Pursuant to the terms of NASD Rule 2340 and NYSE Rule 409, statements will be delivered to you monthly if there have been transactions affecting money balances and/or security positions; otherwise, statements will be delivered quarterly.

VALUATION OF SECURITIES- Pricing information is generally provided by a third party vendor which we believe to be reliable, though we do not guarantee its accuracy.

Fixed Income Securities- Values displayed on your statement are approximations and not actual market bids or offers. Actual secondary market conditions may vary substantially from the price displayed. Pricing estimates provided do not indicate a commitment from SALI or your IBD to buy or sell securities at the prices displayed. Consult your IBD if an actual bid or offer is needed.

Certificates of Deposit (CDs)- When CDs have a maturity of one year or less from issue date, face value will be displayed. CDs with a maturity date from issue of more than one year will displayed at a market value estimate that may not represent the actual price if sold prior to maturity.

Low Priced and/or Illiquid Equity Securities- Prices are derived from a third party pricing sources we believe to be reliable though SALI does not guarantee their accuracy. These prices may be based upon a limited number of transactions or quotes. Such prices are estimates and may not reflect a market price or value.

Alternative Investments- Investments in direct participation programs, to include but not limited to, partnerships, limited liability companies, non-traded real estate investment trusts, private equity, private debt and hedge funds are typically illiquid investments and their current values may be different than your purchase price. Unless otherwise indicated on this statement, the values shown for such investments have been provided by the management, sponsor or administrator of each program or a third-party vendor without independent verification by SALI and represent their estimate of value of the investor's participation in the program as-of a date not 18 months prior to this statement. The estimated values shown may not represent the actual market value or values that might be realized upon liquidation. If an estimated value is not provided, valuation information is not available.

In order to protect your rights under the Securities Investor Protection Act ("SIPA"), you are advised to report any discrepancy or inaccuracy in your account to your IBD at their place of business and SALI at 800.778.6257. Any verbal communications should be re-confirmed in writing to your IBD at their place of business and to SALI at the address below. This statement will otherwise be deemed conclusive unless you notify us in writing by the last business day of the month following the end of the statement period.

Sterne, Agee & Leach, Inc.
2 Perimeter Park S. - Suite 100W
Birmingham, Alabama 35243

Investments carried by SALI are not FDIC insured, unless specifically noted to the contrary, and may lose value.

CapWealth Investment Services LLC

TIMOTHY J PAGLIARA

FINANCIAL ADVISOR:
TIMOTHY J PAGLIARA

SIPC

TIMOTHY J PAGLIARA

ACCOUNT NUMBER

INVESTMENT ACCOUNT SUMMARY

Statement Period: 12/01/15 to 12/31/15

ASSET SUMMARY

	This Month	Prior Month
Cash or Cash Alternatives		
Equities		
Total Invested Assets		
Total Account Value		
Total Combined Value		

CASH ACTIVITY

	This Period
Opening Balance	
Net Dividend	
Total Interest	
Net Money Market Activity	
Ending Balance	

EARNINGS SUMMARY

	This Period	Year-to-Date
Money Fund Earnings		
Dividends		
Total Income		

TIMOTHY J PAGLIARA

INVESTMENT ACCOUNT

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

Did you know.....

There is a convenient method for you to borrow funds against your existing brokerage account. You may apply the borrowings to pursue additional investment opportunities within your account or to meet other personal financial needs.

Borrowing on margin for investment or cash withdrawals increases the risk to your account. You can lose more than you invest. Sterne Agee can force the sale of securities or other assets in your account without your authorization to meet a margin call. You are not entitled to choose which securities are sold to meet a margin call. Sterne Agee can raise the in-house margin minimum without prior notice. You are not entitled to an extension of time to meet a margin call.

IMPORTANT INFORMATION ABOUT YOU

Under Securities and Exchange Rule 17a-3 Books and Records Requirements, the following information * must be presented for your review. Your Broker Dealer makes investment recommendations or suitability determinations based in part on the financial information shown below originally obtained from you upon the occasion of opening your account or through adjustments as directed by you. Please review this data and if you find inaccuracies or incomplete information please call the branch office serving your account indicated on the first page of this statement.

TIMOTHY J PAGLIARA — ACCOUNT NUMBER — Statement

INVESTMENT ACCOUNT — Period: 12/01/15 to 12/31/15

*** To prevent possible improper use of certain information (identity theft) we have omitted your social security/tax identification number as well as date of birth as shown on our records.**

MESSAGES

Special Notice:

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1-800-778-6257

Net Capital at September 30, 2015: $36,333,821
Required Net Capital at September 30, 2015: $3,285,489

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

PORTFOLIO HOLDINGS - CASH OR CASH ALTERNATIVES

Insured Bank Deposit funds are held by respective banks and therefore the amount related to the FDIC money sweep is an FDIC insured product and is not covered under SIPC insurance. Balances are insured up to the FDIC limit per bank, subject to the combined total of all your deposits at a specific bank including those outside this account.

Amount	Description	Yield	Banks of Deposit	Amount
	STERNE AGEE INSURED / DEPOSIT PROGRAM			

Total Cash or Cash Alternatives

Percentage of Total Invested Assets

PORTFOLIO HOLDINGS - EQUITIES

Common Stocks

Total Shares	Description	Symbol	Price	Current Value	Est. Annual Income	Shares Purchased	Unit Cost	Cost Basis	Unrealized Gain/Loss

Total Common Stocks

Percentage of Total Equities

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

PORTFOLIO HOLDINGS - EQUITIES

Preferred Stock

Total Shares	Description	Symbol	Price	Current Value	Est. Annual Income	Shares Purchased	Unit Cost	Cost Basis	Unrealized Gain/Loss
84,375	FEDL NAIL MTG ASSN NON CUML 8.25% SER T PFD PERPTL	FNMAT	4.55	383,906.25		84,375	0.994	83,893.71	300,012.54
33,750	FEDL NATL MTG ASSN NON CUML 8.25% FXD/VAR SER S PFD PERPTL	FNMAS	3.50	118,125.00		33,750	0.642	21,682.62	96,442.38
Total Preferred Stock				502,031.25				105,576.33	396,454.92

Percentage of Total Equities

Percentage of Total Invested Assets

Account Number

Statement Period: 12/01/15 to 12/31/15

Dividends

Date	Transaction	Quantity	Description	Amount

Total Dividend Credits

Interest

Date	Transaction	Description	Amount

Total Interest Credits

Money Market Activity

Date	Transaction	Quantity	Description	Amount

Total Money Market Debits

End of Statement

GENERAL INFORMATION

1) Sterne, Agee & Leach, Inc. ("SALI") carries your account pursuant to a clearing agreement governed by FINRA Rule 4311, for your introducing broker-dealer ("IBD") whose name appears on the front page of this statement. SALI may accept without further inquiry or investigation, any instructions from your IBD relating to transactions in your account, including instructions for the withdrawal or transfer of property to or from your account. SALI is not responsible or liable for any acts or omissions of your IBD or its employees, is not responsible to supervise them, and does not provide investment advice or make suitability determinations for them. Your IBD is responsible to adhere to all applicable securities laws and regulations and for the supervision of its associated persons. Further, your IBD is also responsible for, among other things, approving the opening of accounts and obtaining necessary documents; the acceptance, and in certain instances, the execution of orders; the suitability determination of those orders; providing investment advice and the ongoing relationship it has with you. For additional information regarding the division of responsibilities between your IBD and SALI, please refer to the disclosure document you were provided at account opening.
2) All transactions are subject to the rules and customs of the market or exchange and the clearing house, if any, where such transactions are executed, your account agreement(s), and where appropriate, the Federal Reserve Board, the U.S. Securities and Exchange Commission and of the Financial Industry Regulatory Authority ("FINRA").
3) Whenever you are indebted to SALI for any amount, all securities held by it for you in any account which you have an interest shall secure your liabilities to SALI. SALI may, at its sole discretion and without notice to you, close or reduce any or all of your accounts by public or private sale or purchase of all or any securities carried in such accounts; any balance due remaining shall be promptly paid by you.
4) Cash received or paid and securities received or delivered are shown as-of the date of each transaction, while purchases and sales of securities are shown as-of trade date.
5) If this account is a margin account, this is a combined statement of your general account and special memorandum account maintained for you under Regulation T as issued by the Board of Governors of the Federal Reserve System. The permanent record of your special memorandum account is available for inspection upon your request.
6) A financial statement of SALI is available for your inspection at our offices. A copy will be mailed to you upon your written request or you can view it online at www.sterneagee.com.
7) This statement should be retained for your records.
8) In order for your IBD to make proper recommendations relative to your account, it is incumbent upon you to promptly notify your IBD when your financial situation and/or investment objectives change.
9) SALI is required by federal law to provide you and the Internal Revenue Service with tax reporting information relative to your account. SALI does not provide tax advice. Investors must consult their own tax advisors to make appropriate tax treatment determinations. Your statement is not an official accounting of gains and losses. Please refer to your records, trade confirmations, and your Consolidated Form 1099.

ACCOUNT PROTECTION- SALI is a member of the Securities Investors Protection Corporation ("SIPC"). The SIPC protects clients of its member firms against the loss of their securities in the event of the member's insolvency and liquidation. Clients are insured up to a maximum of $500,000, including up to $250,000 in cash balances. For more information about SIPC coverage, an explanatory brochure is available at www.sipc.org or call SIPC at 202.371.8300. SALI provides additional coverage through Lloyd's of London for $24.5 million, including up to $900,000 in cash balances, with an aggregate policy limit of $100 million.

CALLABLE SECURITIES- Securities subject to a partial call will be processed utilizing a random lottery procedure designed to allocate called securities fairly and impartially. For further details refer to the "Callable Securities Procedures" disclosure found in the Important Disclosures section of Sterne Agee's public website, www.sterneagee.com. A hard copy of this disclosure will be provided upon your request.

ESTIMATED ANNUAL INCOME- Est. Annual Income reflects the estimated amount you would earn on a security if your current position and its related income remained constant for a year.

CASH MANAGEMENT- SALI may provide you with a variety of ways in which to maintain funds awaiting re-investment, including: Money Market Mutual Funds, FDIC Insured Deposit Accounts, and Free Credit Balances. Please refer to our Cash Sweep Program Disclosure Statement for further information regarding these options. Money Market Mutual Fund and FDIC Insured Deposit balances may be liquidated on your order and proceeds returned to your account or remitted to you. Free Credit balances are payable upon you demand.

Free Credit Balances- SALI may elect to pay interest on certain balances awaiting investment and reserves the right to eliminate or otherwise change the rate or the manner in which interest on credit balances are paid at any time and without notice to you.

Insured Deposit Program ("IDP")- Funds swept to Sterne Agee's IDP are protected by the Federal Deposit Insurance Corporation up to applicable limits and are not protected by SIPC. If you have funds deposited into a participating Program Bank where you already have other deposits (e.g. banks accounts, CDs, etc.) held in the same capacity, all deposits are aggregated by the FDIC for purposes of determining coverage availability. It is your responsibility to monitor your deposits away from the IDP in Program Banks relative to coverage limits, and where necessary, exercise your right to instruct us not to use a particular Program Bank for your IDP deposits. Information regarding FDIC insurance is available upon request, or by visiting www.fdic.gov.

OPEN ORDERS- The Open Orders segment of this statement reflects open or "good until cancelled" orders not executed by the statement cut-off date. Open buy and sell stop orders are reduced by the amount of dividends or rights on ex-dates unless instructed otherwise by you. You are responsible for orders that are executed due to your failure to cancel existing open orders.

OPTIONS CLIENTS- Information regarding commissions and other charges related to options transactions has been included with trade confirmations. A summary of this information is available from your IBD upon your request. Please advise your IBD promptly of any material changes in your investment objectives and/or financial situation.

PAYMENT FOR ORDER FLOW- SALI receives compensation for directing order flow in certain equity and exchange listed options to certain broker-dealers, market centers or exchanges for execution. The source and amount of any such compensation relating to your orders will be furnished upon your written request.

PUBLIC DISCLOSURE PROGRAM- You may obtain an investor brochure that includes information describing the FINRA Regulation Public Disclosure Program that provides certain types of information about FINRA member firms and their associated persons. This information is available at www.finra.org or by calling the FINRA Regulation Public Disclosure Program Hotline at 800.289.9999.

STATEMENT FREQUENCY- Pursuant to the terms of NASD Rule 2340 and NYSE Rule 409, statements will be delivered to you monthly if there have been transactions affecting money balances and/or security positions; otherwise, statements will be delivered quarterly.

VALUATION OF SECURITIES- Pricing information is generally provided by a third party vendor which we believe to be reliable, though we do not guarantee its accuracy.

Fixed Income Securities- Values displayed on your statement are approximations and not actual market bids or offers. Actual secondary market conditions may vary substantially from the price displayed. Pricing estimates provided do not indicate a commitment from SALI or your IBD to buy or sell securities at the prices displayed. Consult your IBD if an actual bid or offer is needed.

Certificates of Deposit (CDs)- When CDs have a maturity of one year or less from issue date, face value will be displayed. CDs with a maturity date from issue of more than one year will displayed at a market value estimate that may not represent the actual price if sold prior to maturity.

Low Priced and/or Illiquid Equity Securities- Prices are derived from a third party pricing sources we believe to be reliable though SALI does not guarantee their accuracy. These prices may be based upon a limited number of transactions or quotes. Such prices are estimates and may not reflect a market price or value.

Alternative Investments- Investments in direct participation programs, to include but not limited to, partnerships, limited liability companies, non-traded real estate investment trusts, private equity, private debt and hedge funds are typically illiquid investments and their current values may be different than your purchase price. Unless otherwise indicated on this statement, the values shown for such investments have been provided by the management, sponsor or administrator of each program or a third-party vendor without independent verification by SALI and represent their estimate of value of the investor's participation in the program as-of a date not 18 months prior to this statement. The estimated values shown may not represent the actual market value or values that might be realized upon liquidation. If an estimated value is not provided, valuation information is not available.

In order to protect your rights under the Securities Investor Protection Act ("SIPA"), you are advised to report any discrepancy or inaccuracy in your account to your IBD at their place of business and SALI at 800.778.6257. Any verbal communications should be re-confirmed in writing to your IBD at their place of business and to SALI at the address below. This statement will otherwise be deemed conclusive unless you notify us in writing by the last business day of the month following the end of the statement period.

Sterne, Agee & Leach, Inc.
2 Perimeter Park S. - Suite 100W
Birmingham, Alabama 35243

Investments carried by SALI are not FDIC insured, unless specifically noted to the contrary, and may lose value.

CapWealth Investment Services LLC

TIMOTHY J PAGLIARA

FINANCIAL ADVISOR:
TIMOTHY J PAGLIARA

SIPC

TIMOTHY J PAGLIARA

INVESTMENT ACCOUNT SUMMARY

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

ASSET SUMMARY

	This Month	Prior Month
Cash or Cash Alternatives		
Equities		
Total Invested Assets		
Total Account Value		
Total Combined Value		

EARNINGS SUMMARY

	This Period	Year-to-Date
Money Fund Earnings		
Dividends		
Total Income		

CASH ACTIVITY

	This Period
Opening Balance	
Net Dividend	
Total Interest	
Net Money Market Activity	
Ending Balance	

TIMOTHY J PAGLIARA

INVESTMENT ACCOUNT

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

Did you know.....

There is a convenient method for you to borrow funds against your existing brokerage account. You may apply the borrowings to pursue additional investment opportunities within your account or to meet other personal financial needs.

Borrowing on margin for investment or cash withdrawals increases the risk to your account. You can lose more than you invest. Sterne Agee can force the sale of securities or other assets in your account without your authorization to meet a margin call. You are not entitled to choose which securities are sold to meet a margin call. Sterne Agee can raise the in-house margin minimum without prior notice. You are not entitled to an extension of time to meet a margin call.

IMPORTANT INFORMATION ABOUT YOU

Under Securities and Exchange Rule 17a-3 Books and Records Requirements, the following information * must be presented for your review. Your Broker Dealer makes investment recommendations or suitability determinations based in part on the financial information shown below originally obtained from you upon the occasion of opening your account or through adjustments as directed by you. Please review this data and if you find inaccuracies or incomplete information please call the branch office serving your account indicated on the first page of this statement.

TIMOTHY J PAGLIARA — ACCOUNT NUMBER — Statement

INVESTMENT ACCOUNT — Period: 12/01/15 to 12/31/15

*** To prevent possible improper use of certain information (identity theft) we have omitted your social security/tax identification number as well as date of birth as shown on our records.**

MESSAGES

Special Notice:

A copy of the full balance sheet of Sterne, Agee & Leach, Inc., is available at no cost by accessing the web site www.sterneagee.com or calling the following toll free number:

1-800-778-6257

Net Capital at September 30, 2015: $36,333,821
Required Net Capital at September 30, 2015: $3,285,489

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

PORTFOLIO HOLDINGS - CASH OR CASH ALTERNATIVES

Insured Bank Deposit funds are held by respective banks and therefore the amount related to the FDIC money sweep is an FDIC insured product and is not covered under SIPC insurance. Balances are insured up to the FDIC limit per bank, subject to the combined total of all your deposits at a specific bank including those outside this account.

Amount	Description	Yield	Banks of Deposit	Amount
	STERNE AGEE INSURED / DEPOSIT PROGRAM			

Total Cash or Cash Alternatives

Percentage of Total Invested Assets

PORTFOLIO HOLDINGS - EQUITIES

Common Stocks

Total Shares	Description	Symbol	Price	Current Value	Est. Annual Income	Shares Purchased	Unit Cost	Cost Basis	Unrealized Gain/Loss

Total Common Stocks

Percentage of Total Equities

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

PORTFOLIO HOLDINGS - EQUITIES

Preferred Stock

Total Shares	Description	Symbol	Price	Current Value	Est. Annual Income	Shares Purchased	Unit Cost	Cost Basis	Unrealized Gain/Loss
28,125	FEDL NATL MTG ASSN NON CUML 8.25% SER T PFD PERPTL	FNMAI	4.55	127,968.75		28,125	1.069	30,093.09	97,875.66
41,550	FEDL NATL MTG ASSN NON CUML 8.25% FXD/VAR SER S PFD PERPTL	FNMAS	3.50	145,425.00		41,550	3.747	155,703.36	(10,278.36)
Total Preferred Stock				273,393.75				185,796.45	87,597.30

Percentage of Total Equities

Percentage of Total Invested Assets

ACCOUNT NUMBER

Statement Period: 12/01/15 to 12/31/15

DIVIDENDS

Date	Transaction	Quantity	Description	Amount

Total Dividend Credits

INTEREST

Date	Transaction	Description	Amount

Total Interest Credits

MONEY MARKET ACTIVITY

Date	Transaction	Quantity	Description	Amount

Total Money Market Debits

End of Statement

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3) Whenever you are indebted to SALI for any amount, all securities held by it for you in any account which you have an interest shall secure your liabilities to SALI. SALI may, at its sole discretion and without notice to you, close or reduce any or all of your accounts by public or private sale or purchase of all or any securities carried in such accounts; any balance due remaining shall be promptly paid by you.
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In order to protect your rights under the Securities Investor Protection Act ("SIPA"), you are advised to report any discrepancy or inaccuracy in your account to your IBD at their place of business and SALI at 800.778.6257. Any verbal communications should be re-confirmed in writing to your IBD at their place of business and to SALI at the address below. This statement will otherwise be deemed conclusive unless you notify us in writing by the last business day of the month following the end of the statement period.

Sterne, Agee & Leach, Inc.
2 Perimeter Park S. - Suite 100W
Birmingham, Alabama 35243

Investments carried by SALI are not FDIC insured, unless specifically noted to the contrary, and may lose value.

EXHIBIT 2

STATE OF TENNESSEE)
) ss:
COUNTY OF Williamson

Timothy J. Pagliara, being duly sworn according to law, deposes and says:

1) That he is the beneficial owner of stock of the Federal National Mortgage Association, and that the facts and statements contained in the foregoing demand are true and correct.

2) That the documents submitted herewith, brokerage statements demonstrating his beneficial ownership of stock in the Federal National Mortgage Association, are true and correct copies of what they purport to be.

3) That he authorizes his attorneys of the law firm of Young Conaway Stargatt & Taylor, LLP to act on his behalf with respect to the foregoing demand to inspect the books and records of the Federal National Mortgage Association.

Timothy J. Pagliara

SWORN TO AND SUBSCRIBED BEFORE ME
this 19 day of January, 2016.

Notary Public

My commission expires:

10-2-2016

CANDICE MARIE PIERCE
STATE OF TENNESSEE NOTARY PUBLIC
COUNTY OF WILLIAMSON
MY COMM. EXP. OCT. 02, 2016

EXHIBIT B

FANNIE MAE BYLAWS
As amended through January 30, 2009

The Director of the Federal Housing Finance Agency, or FHFA, Fannie Mae's safety, soundness and mission regulator, appointed FHFA as conservator of Fannie Mae on September 6, 2008. As conservator, FHFA succeeded to all rights, titles, powers and privileges of the corporation, and of any stockholder, officer or director of the corporation with respect to the corporation and its assets, and may, by regulation or order, provide for the exercise of any function by any stockholder, director, or officer of Fannie Mae. On November 24, 2008, FHFA, as conservator, reconstituted the Fannie Mae Board of Directors (Board) and directed the functions and authorities of the Board. The Board serves on behalf of the conservator and shall exercise their authority as directed by the conservator. The Bylaws should be read in conjunction with an understanding of the Company's conservatorship status.

Article 1: General Provisions

Section 1.01. *Name.* The name of the corporation is Federal National Mortgage Association. The corporation may also do business under the name Fannie Mae.

Section 1.02. *Principal Office and Other Offices.* The principal office of the corporation shall be in the District of Columbia. Other offices of the corporation shall be in such places as may be deemed by the Board of Directors or the Chief Executive Officer to be necessary or appropriate.

Section 1.03. *Seal.* The seal of the corporation shall be of such design as shall be approved and adopted from time to time by the Board of Directors, and the seal or a facsimile thereof may be affixed by any person authorized by the Board of Directors or these Bylaws by impression, by printing, by rubber stamp, or otherwise.

Section 1.04. *Fiscal Year.* The fiscal year of the corporation shall end on the 31st day of December of each year.

Section 1.05. *Corporate Governance Practices and Procedures.* Pursuant to Section 1710.10(b) of the Office of Federal Housing Enterprise Oversight ("OFHEO") corporate governance regulation, 12 CFR 1710.1 et seq., to the extent not inconsistent with the Charter Act and other Federal law, rules, and regulations, the corporation has elected to follow the applicable corporate governance practices and procedures of the Delaware General Corporation Law, as the same may be amended from time to time. The inclusion of Sections 1.01, 1.02, 1.05, 2.01, 2.02, 2.03, 2.10, 3.08(b), 3.08(c), 4.01, 4.02, 4.03 and 4.18, Articles 6, 7 and 8, and any new bylaw which may be adopted from time to time and designated as a "Certificate Provision" in accordance with Section 7.01 (collectively, the "Certificate Provisions") in these Bylaws shall constitute inclusion in the corporation's "certificate of incorporation" for all purposes of the Delaware General Corporation Law. The inclusion in these Bylaws of bylaws that are not Certificate Provisions (collectively, the "Bylaw Provisions") shall constitute inclusion in the corporation's "bylaws" for all purposes of the Delaware General Corporation Law.

Article 2: Capital Stock

Section 2.01. *Common Stock.* The common stock, all of which is voting and has no par value, shall have a stated value per share as determined from time to time by the Board of Directors. Shares of the corporation may be acquired and held in the treasury of the corporation, and may be disposed of by the corporation for such consideration and for such purposes as may be determined from time to time by the Board of Directors.

Section 2.02. *Preferred Stock.* The corporation shall have authority to issue up to 700,000,000 shares of preferred stock having no par value. The preferred stock may be issued from time to time in one or more series upon approval by the Board of Directors, or a committee thereof appointed for such purpose, and the Board of Directors or such committee may, by resolution providing for the issuance of such preferred stock, designate with respect to such shares: (a) their voting powers; (b) their rights of redemption; (c) their right to receive dividends (which may be cumulative or non-cumulative) including the dividend rate or rates, conditions to payment, and the relative preferences in relation to the dividends payable on any other class or classes or series of stock; (d) their rights upon the dissolution of, or upon any distribution of the assets of, the corporation; (e) their rights to convert into, or exchange for, shares of any other class or classes of stock of the corporation, including the price or prices or the rate of exchange; and (f) other relative, participating, optional or special rights, qualifications, limitations or restrictions. Notwithstanding Sections 4.12(a)(6) and 4.16 of these Bylaws, the Board of Directors may authorize a committee of the Board to declare dividends on preferred stock.

Section 2.03. *Payment for Shares.* The consideration to be received by the corporation for the issuance of common shares shall be fixed from time to time by the Board of Directors. A subscriber shall be entitled to issuance of shares upon receipt by the corporation of the consideration for which the shares are to be issued. No certificates shall be issued for any share until the share is fully paid, and, when issued, such shares shall be nonassessable.

Section 2.04. *Uncertificated Shares.* Any shares of stock of any class or series of the corporation shall be issued in uncertificated form pursuant to customary arrangements for issuing shares in such form, unless a stock certificate is requested by a stockholder.

Section 2.05. *Certificates Representing Shares.* Each registered holder of the capital stock of the corporation shall be entitled to a certificate or certificates signed by the Chairman of the Board of Directors or the President and by the Secretary or an Assistant Secretary of the corporation, and sealed with the seal of the corporation certifying the number of shares owned by him in the corporation. The certificates shall be in such form as the Board, from time to time, may approve. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 2.06. *Transfers of Stock.* Transfers of stock shall be made upon the books of the corporation at the request of either the registered holder of the stock or the attorney, lawfully constituted in writing, of such registered holder and, in the case of a holder with

a certificate, on surrender for cancellation of the certificate for such share or, in the case of a holder with an uncertificated share, on presentment of proper evidence of succession, assignation or authority to transfer in accordance with customary procedures for transferring shares in uncertificated form.

Section 2.07. Registered *Holder.* The corporation shall be entitled to treat the registered holder of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of Delaware insofar as they are applicable to the stock of stock corporations organized under the Delaware General Corporation Law.

Section 2.08. *Loss or Destruction of Certificate of Stock.* In case of loss or destruction of any certificate of stock, another may be issued in its place, pursuant to such requirements and procedures as may be established by the Secretary of the corporation with the concurrence of the General Counsel (including, without limitation, requiring provision of a surety bond).

Section 2.09. *Stockholder Records.*

(a) The corporation shall keep at its principal place of business, or at the office of its transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number of shares held by each.

(b) The officer who has charge of the stock ledger of the corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least 10 days prior to the meeting, during ordinary business hours, at the principal place of business of the corporation or as may otherwise be permitted by the Delaware General Corporation Law. The list shall be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 2.10. *Registration of common and preferred stock.* The corporation shall register its common and preferred stock with the Securities and Exchange Commission as required pursuant to Sections 12(b) or (g) of the Securities Exchange Act of 1934, as amended, and shall take appropriate steps to maintain such registration. Notwithstanding anything to the contrary contained in Section 7.02 of these Bylaws, this Section 2.10 may be altered, amended, or repealed only by the unanimous vote or consent of all the then incumbent Members of the Board then in office.

Article 3: The Stockholders

Section 3.01. *Place of Meetings.* Meetings of the stockholders of the corporation shall be held at such place or places, within or without the District of Columbia, as shall be determined by the Board of Directors; and the Chairman of the Board (or in his absence another person designated by the Board of Directors) shall preside at all such meetings.

Section 3.02. *Annual Meeting.* The annual meeting of stockholders shall be held on such date and at such time as the Board of Directors may designate.

Section 3.03. *Special Meetings.* Special meetings of the stockholders may be called by the Board of Directors or the Chairman of the Board, or at the request of the holders of not less than one-third of all the shares entitled to vote, to be determined as of the close of the first day of the month preceding the month in which the request is presented to the Secretary. Business transacted at all special meetings shall be confined to the subjects stated in the notice of special meeting.

Section 3.04. *Notice of Meetings — Waiver and Adjourned Meetings.* Written notice stating the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called, shall be delivered not less than 10, nor more than 60, days before the date of the meeting, by the Secretary of the corporation, to each registered holder entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the registered holder at his address as it appears on the stock transfer books of the corporation, with first class postage prepaid. Waiver by a stockholder in writing of notice of a stockholders' meeting, signed by him either before or after the time of the meeting, shall be equivalent to the giving of such notice. Attendance by a stockholder at a stockholders' meeting, whether in person or by proxy, without objection to the notice or lack thereof, shall constitute a waiver of notice of the meeting. Any meeting of stockholders may be adjourned by the chair of the meeting to reconvene at another time or place. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 3.05. *Fixing Record Date*

(a) For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a date as the record date. Such date, in any case, shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and shall be not more than 60 days and not less than 10 days prior to the date of such meeting. If no such record date is fixed, the close of business on the day next preceding the day on which notice is given, or, if notice is waived, the close of business on the day next preceding the date on which the meeting is held shall be the record date for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders. When a determination of stockholders entitled to vote at any meeting of stockholders has been made, as provided in this section, the determination shall apply to any adjournment thereof, provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) For the purpose of determining stockholders entitled to receive payment of any dividend, or in order to make a determination of stockholders for any other

purpose (except as provided in Section 3.05(a), the Board of Directors or a duly authorized Committee thereof may fix a date as the record date. Such date, in any case, shall not precede the date upon which the resolution fixing the record date is adopted and shall be not more than 60 days prior to the date on which the particular action is to be taken. If no such record date is fixed, the close of business on the day on which the resolution relating thereto is adopted shall be the record date for the determination of stockholders.

Section 3.06. *Quorum.* A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. The stockholders present at a duly organized meeting may continue to do business until adjournment, notwithstanding the withdrawal of the holders of enough shares to leave less than a quorum. If a meeting cannot be organized because a quorum has not attended, either the chair of the meeting, or those stockholders present, in person or by proxy, by a majority of the votes cast by such stockholders so present, may adjourn the meeting from time to time until a quorum is present when any business may be transacted that may have been transacted at the meeting as originally called.

Section 3.07. *Proxies.* A stockholder may vote either in person or by proxy executed in writing by the stockholder or his duly authorized representative. No proxy shall be valid after 11 months from the date of its execution, unless otherwise expressly provided in the proxy.

Section 3.08. *Voting*

(a) At every meeting of the stockholders, every holder of the common stock shall be entitled to one vote for each share of common stock registered in the name of such holder on the stock transfer books of the corporation at the close of the record date. A proxy purporting to be executed by a corporation shall be presumed to be valid and the burden of proving invalidity shall rest on any challenger. A proxy purporting to be executed by a partnership shall be presumed to be valid and the burden of proving invalidity shall rest on any challenger. Unless a higher percentage of affirmative votes is required by the Charter Act, these Bylaws, applicable stock exchange rules or regulations, or other applicable Federal law, rules, or regulations, the stockholders will have approved any matter if, at a meeting at which a quorum is present, the votes cast by the stockholders present, either in person or by proxy and entitled to vote thereon, in favor of such matter exceed the votes cast by such stockholders against such matter.

(b) Except as provided in Section 308 (b) of the Charter Act, members of the Board of Directors shall be elected by a majority of the votes cast in person or by proxy at any meeting that includes the election of directors at which a quorum is present, provided that if (i) the number of nominees exceeds the number of directors to be elected or (ii) the Secretary of the Corporation received notice that a stockholder nominated a person for election to the Board of Directors in accordance with Section 4.20 of these Bylaws, and that nomination has not been withdrawn by the stockholder on or before the tenth day preceding the date the corporation first mails its meeting notice to stockholders, the directors are to be elected by a plurality of the votes cast in person or by proxy. For purposes of this Section, a majority of the votes cast means that the number of shares voted “for” a director must exceed the number of votes cast “against” that director. For purposes of this Section, if plurality voting is applicable to

the election of directors at any meeting, the director nominees who receive the highest number of votes cast "for", without regard to votes cast "against," shall be elected as directors up to the total number of directors to be elected at that meeting. Abstentions and broker non-votes will not count as a vote cast with respect to a director's election.

(c) If an incumbent director fails to receive the required vote for re-election, the Nominating and Corporate Governance Committee will review the director's previously submitted irrevocable resignation (which is contingent upon (i) his or her failure to receive the required vote and (ii) Board acceptance of such resignation), will act on an expedited basis to determine whether to accept such director's resignation, and will submit such recommendation for prompt consideration by the Board. The Board expects the director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. The Nominating and Corporate Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation. The Board will publicly disclose (in accordance with Section 3.12 of these Bylaws) its decision regarding the tendered resignation and the rationale for the decision within 90 days after the date of certification of the election results. If such incumbent director's resignation is not accepted by the Board, such director will continue to serve until the next meeting that includes the election of directors and until his or her successor is chosen and qualified, or his or her death, resignation, or retirement or removal in accordance with applicable law or regulation, whichever event shall first occur. If a director's resignation is accepted by the Board, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board, in its sole discretion, may fill any resulting vacancy pursuant to the provisions of Section 308(b) of the Charter Act.

Section 3.09. *Inspectors of Votes.* The Board of Directors, in advance of any meeting of stockholders, shall appoint one or more Inspectors of Votes to act at the meeting or any adjournment thereof and make a written report thereof. One or more persons may be designated as alternates to replace any Inspector of Votes who fails to act. In case any person so appointed Inspector of Votes or alternate resigns or fails to act, the vacancy shall be filled by appointment made by the chairman of the meeting. The Inspectors of Votes shall (a) ascertain the number of shares outstanding and the voting power of each and determine all questions concerning the qualification of voters; (b) determine the shares represented at the meeting and the validity of proxies and ballots; (c) determine all questions concerning the acceptance or rejection of votes and, with respect to each vote by ballot, shall collect and count all votes and ballots; (d) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the Inspectors of Votes; and (e) report in writing to the secretary of the meeting their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The Inspectors of Votes need not be stockholders of the corporation. No person who is an officer or Member of the Board of Directors of the corporation, or who is a candidate for election as a Member of the Board of Directors, shall be eligible to be an Inspector of Votes. Any report or certificate by the Inspectors of Votes shall be prima facie evidence of the facts stated and of the votes as certified by them.

Section 3.10. *Stockholder Notices to the Corporation.* Whenever notice is to be given to the corporation by a stockholder under any provision of law or of these Bylaws, such

notice shall be delivered to the Secretary at the principal executive offices of the corporation. If delivered by electronic mail or facsimile, the stockholder's notice shall be directed to the Secretary at the electronic mail address or facsimile number, as the case may be, specified in the corporation's most recent proxy statement.

Section 3.11. *Conduct of Meetings.* The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at such meeting by the person presiding over the meeting. The Board of Directors may adopt by resolution such rules or regulations for the conduct of meetings of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chair of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chair, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chair of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) rules and procedures for maintaining order at the meeting and the safety of those present; (c) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies, or such other persons as the chair shall permit; (d) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (e) limitations on the time allotted to questions or comments by participants. Meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

Section 3.12. *Notice of Business to be Brought Before an Annual Meeting.* At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors; (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors; or (c) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder (other than the nomination of a person for election as a director, which is governed by Section 4.20 of these Bylaws), the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not earlier than the close of business on the 120th day and not later than the close of business on the 60th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting and the 10th day following the day on which public disclosure of the date of such meeting is first made by the corporation. In no event shall the public disclosure of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. (For purposes of these Bylaws, public disclosure shall be deemed to include a disclosure made in a press release reported by the Dow Jones News Services, Associated Press or a comparable national news service or in a document filed by the corporation with the Securities and Exchange Commission pursuant to Section 13 of the Securities Exchange Act of 1934, as amended.) A

stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (A) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (B) the name and address, as they appear on the corporation's books, of the stockholder proposing such business; (C) the class and number of shares of the corporation that are beneficially owned by the stockholder; and (D) any material interest of the stockholder in such business. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Section 3.12. The chair of the annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 3.12, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Article 4: The Board of Directors

Section 4.01. *General Policies.* General policies governing the operations of the corporation shall be determined by the Board of Directors.

Section 4.02. *Membership.* The Board of Directors shall consist of those Members appointed and elected as provided by law.

Section 4.03. *Term of Members.* Each Member shall hold office for the term for which he is elected or appointed and until his successor is chosen and qualified, or his death, resignation, or retirement or removal in accordance with applicable law or regulation, whichever event shall first occur.

Section 4.04. *Regular Meetings.* The Board of Directors shall meet in regular meetings at such times as shall be determined by the Board from time to time, except as provided in section 4.05 and except when the Chairman of the Board shall notify the Secretary of a different date prior to a scheduled regular meeting. Each regular meeting shall be held at the principal office of the corporation in the District of Columbia, unless special provision is made by the Board, in advance of any such regular meeting, to hold that meeting at another place, either within or without the District of Columbia.

Section 4.05. *Annual Meeting.* Immediately following the annual meeting of the stockholders, the Board of Directors shall meet each year for the purpose of considering any business that may properly be brought before the meeting, and such annual meeting of the Board shall be a regular meeting.

Section 4.06. *Special Meetings.* Other meetings of the Board of Directors may be held upon the call of the Chairman of the Board of Directors, or of a majority of the then incumbent Members of the Board. Each special meeting shall be held at the principal office in the District of Columbia unless the Chairman of the Board prescribes and the notice specifies another place.

Section 4.07. *Notice of Meetings — Waiver.* No notice of any kind to Members of the Board of Directors shall be necessary for any regular meeting that is held on a date determined by the Board, or for the annual meeting. In the case of a regular meeting on a different date, notice shall be given to each Member by the Secretary; in the case of a

special meeting, notice shall be given to each Member by the Secretary at the direction of the calling authority. Such notice shall be in writing and sent to the address on file with the Secretary of the corporation not later than during the third day immediately preceding the day for the meeting; or by word of mouth, telephone, facsimile or electronic mail, directed to the telephone number, facsimile number or electronic mail address, as the case may be, on file with the Secretary of the corporation, not later than during the second day immediately preceding the day for the meeting. The attendance of any Member at a meeting shall constitute a waiver of notice by such Member, except where such Member attends for the express purpose of protesting at the beginning of the meeting the lack of notice of the meeting. Neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified in the notice of the meeting.

Section 4.08. *The Chairman of the Board of Directors*. The Chairman of the Board of Directors may be chosen by the Board at any meeting of the Board from among the Members, and his tenure shall commence immediately and continue until the next succeeding annual meeting of the Board, or until his successor is chosen, whichever occurs first. The Chairman of the Board (or in his absence another person designated by the Board of Directors) shall preside at all meetings of the Board of Directors and at meetings of stockholders. In addition, the Chairman of the Board shall have such powers and perform such duties as the Board may prescribe. Except as otherwise provided by law, the Charter Act, these Bylaws, or the Board, the Chairman shall have plenary authority to perform all duties as may be assigned to him from time to time by the Board.

Section 4.08a. *The Vice Chairman of the Board of Directors.* The Board of Directors may from time to time elect from among the Members of the Board one or more Vice Chairmen of the Board. Any such Vice Chairman shall have such powers and shall perform such duties as the Board of Directors may prescribe or as the Chairman of the Board shall delegate to him.

Section 4.09. *Quorum.* The presence, in person or otherwise in accordance with section 4.17 hereof, of a majority of the then incumbent Members of the Board of Directors or of a Board Committee, as applicable, at the time of any meeting of the Board or such Committee, shall constitute a quorum for the transaction of business. The act of the majority of such Members present at a meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by these Bylaws. Members may not be represented by proxy at any meeting of the Board of Directors or a Board Committee.

Section 4.10. *Action Without a Meeting.* Any policy or action that may be approved or taken at a meeting of the Board or of any Board Committee may be approved or taken without a meeting if all incumbent Members of the Board or the Committee, as the case may be, consent thereto in writing and the writings are filed with the minutes of the proceedings of the Board or the Committee.

Section 4.11. *Facsimile Signatures.* The Board of Directors, the Chairman of the Board, the Chief Executive Officer or any designee of the Chief Executive Officer may authorize the use of facsimile signatures in lieu of manual signatures.

Section 4.12. *Executive Committee.*

a. The Executive Committee of the Board shall consist of at least five Members who shall be designated by the Board and serve at the pleasure of the Board. One of the members of the Executive Committee shall be the Chief Executive Officer of the corporation who may also, but is not required to, be chair of the Committee. The designation of such Committee and the delegation thereto of authority shall not alone relieve any director of any duty he owes the corporation. The Executive Committee, during the interim between Board meetings, shall have the authority of the Board, except that it shall not have the authority to take any of the following actions:

1. The submission to stockholders of any action requiring stockholders' authorization.

2. The filling of vacancies on the Board of Directors or on the Executive Committee.

3. The fixing of compensation of the directors for serving on the Board or on the Executive Committee.

4. The appointment or removal of the Chairman of the Board, Chief Executive Officer, President, any Vice Chairman, and any Executive Vice President, except that vacancies in established positions may be filled subject to ratification by the Board of Directors.

5. The amendment or repeal of these Bylaws or the adoption of new bylaws.

6. The declaration of dividends or the authorizing of the issuance of the corporation's stock.

7. The amendment or repeal of any resolution of the Board which by its terms is not so amendable or repealable.

8. The adoption of an agreement of merger or consolidation or the adoption of a certificate of ownership and merger.

9. The recommendation to stockholders of the sale, lease or exchange of all or substantially all of the corporation's property and assets.

10. The recommendation to stockholders of a dissolution of the corporation or a revocation of a dissolution.

b. The Executive Committee shall meet at the call of its chairman or of a majority of its members, and a majority shall constitute a quorum. The action of the majority of the members of the Committee shall be the action of the Committee.

c. Unless otherwise expressly provided by resolution of the Board of Directors, members of the Executive Committee shall be compensated and shall be reimbursed for travel and expenses on the same basis and at the same rate as is provided for Members of the Board of Directors for attendance at meetings of the Board.

d. At the first regular meeting of the Board of Directors following a meeting of the Executive Committee, the Executive Committee shall present to the Board a report and such recommendations as are in its judgment necessary for the proper operation of the corporation.

Section 4.13. *Audit Committee.* The Board of Directors shall have an Audit Committee and, as required by Section 1710.12(c)(1) of the OFHEO corporate governance regulation, as the same may be amended from time to time, the Audit Committee shall comply with the charter, independence, composition, expertise and other requirements under section 301 of the Sarbanes-Oxley Act of 2002 and under rules issued by the New York Stock Exchange, as the same may be amended from time to time.

Section 4.14. *Compensation Committee.* The Board of Directors shall have a Compensation Committee and, as required by Section 1710.12(c)(2) of the OFHEO corporate governance regulation, as the same may be amended from time to time, the Compensation Committee shall comply with the charter, independence, composition, expertise and other requirements under the rules issued by the New York Stock Exchange, as the same may be amended from time to time. The duties of the Compensation Committee shall include overseeing the corporation's compensation policies and plans for executive officers and employees and approving the compensation of principal officers of the corporation.

Section 4.15. *Nominating and Corporate Governance Committee.* The Board of Directors shall have a Nominating and Corporate Governance Committee, as required by Section 1710.12(c)(3) of the OFHEO corporate governance regulation, as the same may be amended from time to time. The Nominating & Corporate Governance Committee shall comply with the charter, independence, composition, expertise and other requirements under the rules issued by the New York Stock Exchange, as the same may be amended from time to time.

Section 4.16. *Other Committees.* In addition to the Executive, Audit, Compensation, and Nominating & Corporate Governance committees, the Board of Directors may by resolution designate from among its Members such other committees as it deems appropriate, each of which, to the extent provided by resolution of the Board, may exercise all authority of the Board except those actions outside the authority of the Executive Committee. The designation of any such committee and the delegation thereto of authority shall not alone relieve any director of any duty he owes the corporation.

Section 4.17. *Remote Meetings.* Any meeting of the Board of Directors or any meeting of a Board Committee may be held with the Members of the Board or members of such Committee participating in such meeting by telephone or by any other means of communication by which all such persons participating in the meeting are able to speak to and hear one another.

Section 4.18. *Limitation on Liability.* To the fullest extent permitted by Delaware statutory and decisional law, as amended or interpreted, no director of this corporation shall be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. This Section 4.18 does not affect the availability of equitable remedies for breach of fiduciary duties.

Section 4.19. *Eligibility to Make Nominations.* Nominations of candidates for election as directors at an annual meeting of stockholders called for election of directors may be made (i) by any stockholder entitled to vote at such meeting only in accordance with the procedures established by Section 4.20 of these Bylaws, or (ii) by the Board of Directors or by a duly authorized Committee thereof. In order to be eligible for election as a director, any director nominee must first be nominated in accordance with the provisions of these Bylaws.

Section 4.20. *Procedure for Nominations by Stockholders.* Any stockholder entitled to vote for the election of a director at an annual meeting may nominate one or more persons for such election only if written notice of such stockholder's intent to make such nomination is delivered to or mailed and received by the Secretary of the corporation. Such notice must be received by the Secretary not later than the following dates: with respect to an annual meeting of stockholders, not earlier than the close of business on the 120th day and not later than the close of business on the 60th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting and the 10th day following the day on which public disclosure of the date of such meeting is first made by the corporation. The written notice shall set forth: (1) the name, age, business address and residence address of each nominee proposed in such notice; (2) the principal occupation or employment of each such nominee; (3) the class of securities and the number of shares of capital stock of the corporation which are beneficially owned by each such nominee; and (4) such other information concerning each such nominee as would be required, under the rules of the Securities and Exchange Commission in a proxy statement soliciting proxies for the election of such nominee as a director. Such notice shall include a signed consent of each such nominee to serve as a director of the corporation, if elected and a statement whether such nominee, if elected, intends to tender, promptly following such nominee's election or re-election, an irrevocable resignation effective upon such nominee's failure to receive the required vote for re-election at the next meeting of stockholders at which such nominee faces re-election and upon acceptance of such resignation by the board of directors. The corporation may also require any proposed nominee to furnish such other information as may be reasonably required by the corporation to determine whether such proposed nominee is eligible to serve as an independent director of the corporation or that could be material to a reasonable stockholder's understanding of independence, or lack thereof, of such nominee.

Section 4.21. *Compliance with Procedures.* If the chair of the stockholders' annual meeting determines that a nomination of any candidate for election as a director was not made in accordance with the applicable provisions of these Bylaws, such nomination shall be void.

Article 5: The Officers

Section 5.01. *Number.* The principal officers of the corporation shall consist of the Chief Executive Officer, a President, one or more Vice Chairmen of the Board if the Board has elected to fill such position or positions, one or more Executive Vice

Presidents and Senior Vice Presidents, a General Counsel, a Controller, a Treasurer, and a Secretary. There shall be such other officers, assistant officers, agents, and employees as may be deemed necessary. Any two or more offices may be held by the same person.

Section 5.02. *General Authority and Duties.* All officers, agents, and employees of the corporation shall have such authority and perform such duties in the management and conduct of the business of the corporation as may be provided for in these Bylaws, as may be established by resolution of the Board of Directors not inconsistent with these Bylaws, as generally pertain to their respective offices, and as may be delegated to them in a manner not inconsistent with these Bylaws.

Section 5.03. *Election, Tenure, and Qualifications.* The principal officers shall be selected by the Board of Directors. Each officer shall hold office until his successor is chosen and qualified, or his death, resignation, retirement, or removal from office, whichever event shall first occur. Selection or appointment without express tenure, of an officer, agent, or employee shall not of itself create contract rights.

Section 5.04. *Removal.* Any officer, agent, or employee may be removed by the Board of Directors. Any removal shall be in accordance with such procedures and safeguards as the corporation may establish and shall be without prejudice to the contract rights, if any, of the person so removed.

Section 5.05. *Vacancies.* Any vacancy in any office shall be filled in the manner prescribed in these Bylaws for selection or appointment to the office.

Section 5.06. *Chief Executive Officer.* The Chief Executive Officer shall have the general powers and duties of supervision, management and direction over the business and policies of the corporation. The Chief Executive Officer shall see that all orders and resolutions of the Board of Directors and any committee thereof are carried into effect, and shall submit reports of the current operations of the corporation to the Board of Directors at regular meetings of the Board of Directors and in annual reports to the stockholders.

Section 5.07. *The President.* The President shall have such powers and perform such duties as the Board of Directors may prescribe, or, if the President is not also the Chief Executive Officer, the Chief Executive Officer may delegate to him.

Section 5.08. *The Vice Presidents.* Each Vice President shall have such powers and perform such duties as the Board of Directors may prescribe or as the Chief Executive Officer may delegate to him.

Section 5.09. *The Treasurer.* The Treasurer shall, in general, perform all the duties ordinarily incident to the office of Treasurer and such other duties as may be assigned to him by the Board of Directors or by the Chief Executive Officer or his designee. The Treasurer shall render to the Board of Directors or the Chief Executive Officer or his designee, whenever the same shall be required, an account of all his transactions as Treasurer. The Treasurer shall, if required to do so by the Board, give the corporation a bond in such amount and with such surety or sureties as may be ordered by the Board for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement, or removal from office, of all

books, papers, vouchers, money, and other property of whatever kind in his possession or under his control belonging to the corporation. The premium for any such bond shall be paid by the corporation.

Section 5.10. *The General Counsel.* The General Counsel shall be the principal consulting officer of the corporation in all matters of legal significance or import; shall be responsible for and direct all counsel, attorneys, employees, and agents in the performance of all legal duties and services for and on behalf of the corporation; shall perform such other duties and have such other powers as are ordinarily incident to the office of the General Counsel; and shall perform such other duties as, from time to time, may be assigned to him by the Board of Directors or by the Chief Executive Officer.

Section 5.11. *The Secretary.* The Secretary shall keep or cause to be kept in books provided for the purpose the minutes of the meetings of the Board of Directors and the minutes or transcripts of the meetings of the stockholders; shall see that all notices are duly given as required by law and in accordance with the provisions of these Bylaws; shall be responsible for the custody and maintenance of all related records and the blank stock certificates of the corporation; shall be custodian of the records and of the seal of the corporation; and, in general, shall perform all the duties ordinarily incident to the office of Secretary and such other duties as may be assigned to him by the Board or by the Chief Executive Officer. The Secretary and any Assistant Secretary are expressly empowered to attest signatures of officers of the corporation and to affix the seal of the corporation to documents.

Section 5.12. *The Controller.* The Controller shall keep full and accurate accounts of all assets, liabilities, commitments, receipts, disbursements, and other financial transactions of the corporation; and in general, shall perform all the duties ordinarily incident to the office of Controller and such other duties as may be assigned to him by the Board of Directors or by the Chief Executive Officer or his designee.

Section 5.13. *Assistant Officers.*
Each assistant to an officer, including but not limited to any Assistant Vice President, any Assistant Treasurer, any Assistant General Counsel, and any Assistant Secretary, and any other such assistant to any officer, shall perform such duties as are, from time to time, delegated to him by the officer to whom he is an assistant, by the Board of Directors or by the Executive Officer or his designee. At the request of the officer to whom he is an assistant, an assistant officer may temporarily perform the duties of that officer, and when so acting shall have the powers of and be subject to the restrictions imposed upon that officer.

Section 5.14. *Compensation.* Subject to the approval of the Conservator, if so required, the compensation of the principal officers shall be fixed, from time to time, by the Board of Directors.

Article 6: Indemnification

Section 6.01. *General Indemnification.* The Board of Directors may, in such cases or categories of cases as it deems appropriate, indemnify and hold harmless, or make provision for indemnifying and holding harmless, Members of the Board of Directors, officers, employees, and agents of the corporation, and persons who formerly held such positions, and the estates of any of them against any or all claims and liabilities

(including reasonable legal fees and other expenses incurred in connection with such claims or liabilities) to which any such person shall have become subject by reason of his having held such a position or having allegedly taken or omitted to take any action in connection with such position.

Section 6.02. *Indemnification of Board Members and Officers.*

a. To the fullest extent permitted by the Delaware General Corporation Law for a corporation subject to such law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits a Delaware corporation to provide broader indemnification rights than said law permitted such corporation to provide prior to such amendment), the corporation will indemnify and hold harmless each Member of the Board and officer of the corporation or any subsidiary against any and all claims, liabilities, and expenses (including attorneys' fees, judgments, fines, and amounts paid in settlement) actually and reasonably incurred and arising from any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, to which any such person shall have become subject by reason of having held such a position or having allegedly taken or omitted to take any action in connection with any such position. However, the foregoing shall not apply to:

i. any breach of such person's duty of loyalty to the corporation or its stockholders;

ii. any act or omission by such person not in good faith or which involves intentional misconduct or where such person had reasonable cause to believe his conduct was unlawful, or

iii. any transaction from which such person derived any improper personal benefit.

b. The decision concerning whether a particular indemnitee has satisfied the foregoing shall be made by (i) the Board of Directors by a majority vote of a quorum consisting of Members who are not parties to the action, suit, or proceeding giving rise to the claim for indemnity ("Disinterested Directors"), whether or not such majority constitutes a quorum; (ii) a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, whether or not such majority constitutes a quorum; (iii) if there are no Disinterested Directors, or if the Disinterested Directors so direct, by independent legal counsel in a written opinion; or (iv) a vote of the stockholders.

c. The Board of Directors may authorize the advancement of expenses to any Member of the Board or officer, subject to a written undertaking to repay such advance if it is later determined that the indemnitee does not satisfy the standard of conduct required for indemnification. The Chairman of the Board is authorized to enter into contracts of indemnification with each Member and officer of the corporation with respect to the indemnification provided in the Bylaws and to renegotiate such contracts as necessary to reflect changing laws and business circumstances.

Article 7: Amendments

Section 7.01. *Actions by the Board of Directors*. The Board of Directors has the power to alter, amend, or repeal any Certificate Provision or Bylaw Provision of these Bylaws, or to adopt new bylaws, either (i) by the affirmative vote of two-thirds of the then incumbent Members of the Board of Directors, with the exception of Section 2.10, or (ii) in the manner provided in Section 4.10 of these Bylaws. Except by unanimous consent of all the then incumbent Members of the Board, no such action shall be undertaken until at least one week shall have elapsed from either (i) the introduction of the proposal at a meeting of the Board of Directors at which a quorum shall have attended, or (ii) the circulation of such proposed action to all the then incumbent Members of the Board. Any (i) new bylaw adopted by the Board of Directors and (ii) Certificate Provision, as altered or amended by the Board of Directors pursuant to this Section 7.01, shall be designated a "Certificate Provision" for all purposes under these Bylaws unless, by the affirmative vote of two-thirds of the then incumbent Members of the Board of Directors, the Board of Directors shall approve the designation of such bylaw as a "Bylaw Provision" for all purposes under these Bylaws.

Section 7.02. *Actions by the Stockholders*.

a. *Bylaw Provisions.* The stockholders have the power to alter, amend, or repeal any Bylaw Provision, or to adopt any new bylaw, the subject matter of which is the subject matter of a Bylaw Provision, by the affirmative vote of a majority of the stock issued and outstanding and entitled to vote at any regular meeting of the stockholders or at any special meeting of the stockholders if notice of such proposed action be contained in the notice of such special meeting; provided, however, that notwithstanding the foregoing, the stockholders shall not have the power to alter, amend or repeal any Bylaw Provision, or adopt any new bylaw, if (i) such Bylaw Provision, as proposed to be altered or amended, or the repeal of such Bylaw Provision, or the new bylaw proposed for adoption, is or would be inconsistent with the Charter Act or other Federal law, rules, and regulations or the safe and sound operations of the corporation, in each case as determined by the applicable regulator, (ii) the subject matter of such Bylaw Provision, as proposed to be altered or amended, or the subject matter of the new bylaw proposed for adoption is the subject matter of any Certificate Provision, or (iii) such Bylaw Provision, as proposed to be altered or amended, or the repeal of such Bylaw Provision, or the new bylaw proposed for adoption is or would be inconsistent with any Certificate Provision. Notwithstanding anything to the contrary herein, any action by the stockholders pursuant to Section 7.02 shall be null and void, without legal effect, if such action shall violate any law, rule or regulation by any government authority applicable to this corporation, including, without limitation, the Charter Act, or any rule, regulation or other requirement of any stock exchange on which the stock of this corporation is then listed. For the avoidance of doubt, any proposed action by the stockholders pursuant to this Section 7.02 will be subject to Article 8 of these Bylaws.

b. *Certificate Provisions*. The stockholders may not alter, amend, repeal or adopt any Certificate Provision unless such action is explicitly authorized and referred to the stockholders by the Board of Directors. No such authorization and referral shall be made by the Board of Directors unless such authorization and referral is approved pursuant to the procedures set forth in Section 7.01. For the avoidance of doubt, this Section 7.02(b)

in no way obligates the Board of Directors to seek stockholder approval for any action pursuant to Section 7.01.

Article 8: Regulatory Powers

Nothing in these Bylaws shall be deemed to affect the regulatory or conservatorship powers of the Federal Housing Finance Agency under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, Title XIII, P.L. 102-550, as amended by the Federal Housing Finance Regulatory Reform Act of 2008, P.L. 110-289.

EXHIBIT C

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 08/21/2002
020529707 - 3560366

CERTIFICATE OF INCORPORATION

FIRST: The name of this corporation shall be: FEDERAL NATIONAL MORTGAGE ASSOCIATION, INC.

SECOND: Its registered office in the State of Delaware is to be located at 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle and its registered agent at such address is THE COMPANY CORPORATION.

THIRD: The purpose or purposes of the corporation shall be:

> To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of stock which this corporation is authorized to issue is: One Thousand Five Hundred (1,500) shares of Common Stock without par value.

FIFTH: The name and address of the incorporator is as follows:

> Elaine Phaneuf
> The Company Corporation
> 2711 Centerville Road
> Suite 400
> Wilmington, Delaware 19808

SIXTH: The Board of Directors shall have the power to adopt, amend or repeal the by-laws.

SEVENTH: No director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law, (i) for breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article Seventh shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

IN WITNESS WHEREOF, the undersigned, being the incorporator herein before named, has executed signed and acknowledged this certificate of incorporation.

Date: August 21, 2002

Name: Elaine Phaneuf
Incorporator

EXHIBIT D

THIRD AMENDMENT TO AMENDED AND RESTATED SENIOR PREFERRED STOCK PURCHASE AGREEMENT

THIRD AMENDMENT dated as of August 17, 2012, to the AMENDED AND RESTATED SENIOR PREFERRED STOCK PURCHASE AGREEMENT dated as of September 26, 2008, between the UNITED STATES DEPARTMENT OF THE TREASURY ("Purchaser"), and FEDERAL NATIONAL MORTGAGE ASSOCIATION ("Seller"), acting through the Federal Housing Finance Agency (the "Agency") as its duly appointed conservator (the Agency in such capacity, "Conservator").

Background

A. Purchaser and Seller have heretofore entered into the Amended and Restated Senior Preferred Stock Purchase Agreement dated as of September 26, 2008 (the "Amended and Restated Agreement").

B. In the Amended and Restated Agreement, Purchaser committed itself to provide to Seller, on the terms and conditions provided in the Amended and Restated Agreement, immediately available funds in an amount as determined from time to time as provided in the Amended and Restated Agreement, but in no event in an aggregate amount exceeding $100,000,000,000.

C. In consideration for Purchaser's commitment, Seller agreed to sell, and did sell, to Purchaser 1,000,000 shares of senior preferred stock, in the form of the Variable Liquidation Preference Senior Preferred Stock of Seller attached as Exhibit A to the Amended and Restated Agreement, with an initial liquidation preference equal to $1,000 per share.

D. The Amended and Restated Agreement provides that the aggregate liquidation preference of the outstanding shares of senior preferred stock shall be automatically increased by an amount equal to the amount of each draw under Purchaser's funding commitment, and the senior preferred stock sold by Seller to Purchaser provides that the senior preferred stock shall accrue dividends at the annual rate per share equal to 10 percent on the then-current liquidation preference.

E. Purchaser and Seller have heretofore entered into the Amendment dated as of May 6, 2009, to the Amended and Restated Agreement (the "First Amendment").

F. In the First Amendment, Purchaser increased to $200,000,000,000 the maximum aggregate amount permitted to be provided to Seller under the Amended and Restated

Agreement, and amended the terms of the Amended and Restated Agreement in certain other respects.

G. Purchaser and Seller have heretofore entered into the Second Amendment dated as of December 24, 2009, to the Amended and Restated Agreement (the "Second Amendment").

H. In the Second Amendment, Purchaser modified the maximum aggregate amount permitted to be provided to Seller under the Amended and Restated Agreement, as previously amended, by replacing the fixed maximum aggregate amount with the new formulaic maximum amount specified therein, and amended the terms of the Amended and Restated Agreement, as previously amended, in certain other respects.

I. Purchaser and Seller are each authorized to enter into this Third Amendment to the Amended and Restated Agreement ("this Third Amendment") that (i) includes an agreement by Seller to modify the dividend rate provision of the senior preferred stock sold by Seller to Purchaser, and (ii) amends the terms of the Amended and Restated Agreement, as previously amended, in certain other respects.

THEREFORE, for and in consideration of the mutual agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchaser and Seller agree as follows:

Terms and Conditions

1. Definitions.

Capitalized terms used and not defined in this Third Amendment shall have the respective meanings given such terms in the Amended and Restated Agreement, as amended by the First Amendment and the Second Amendment (the Amended and Restated Agreement, as amended by the First Amendment and the Second Amendment, being the "Existing Agreement").

2. Amendment to Paragraph 2(a) of Senior Preferred Stock (Relating to Dividend Payment Dates and Dividend Periods).

With respect to the Certificate of Designation of Terms of Variable Liquidation Preference Senior Preferred Stock, Series 2008-2, dated September 7, 2008 (the "Senior Preferred Stock Certificate"), sold by Seller to Purchaser and purchased by Purchaser from Seller, Seller agrees either to amend the existing paragraph 2(a) of the Senior Preferred Stock Certificate, or to issue a replacement Senior Preferred Stock Certificate, in either case so that, by not later than September 30, 2012, paragraph 2(a) reads as follows:

(a) For each Dividend Period from the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2012, holders of outstanding shares of Senior Preferred Stock shall be entitled to receive, ratably, when, as and if declared by the Board of Directors, in its sole discretion, out of funds legally available therefor, cumulative cash dividends at the annual rate per share equal to the then-current Dividend Rate on the then-current Liquidation Preference. For each Dividend Period from January 1, 2013, holders of outstanding shares of Senior Preferred Stock shall be entitled to receive, ratably, when, as and if declared by the Board of Directors, in its sole discretion, out of funds legally available therefor, cumulative cash dividends in an amount equal to the then-current Dividend Amount. Dividends on the Senior Preferred Stock shall accrue from but not including the date of the initial issuance of the Senior Preferred Stock and will be payable in arrears when, as and if declared by the Board of Directors quarterly on March 31, June 30, September 30 and December 31 of each year (each, a "Dividend Payment Date"), commencing on December 31, 2008. If a Dividend Payment Date is not a "Business Day," the related dividend will be paid not later than the next Business Day with the same force and effect as though paid on the Dividend Payment Date, without any increase to account for the period from such Dividend Payment Date through the date of actual payment. "Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which New York City banks are closed, or (iii) a day on which the offices of the Company are closed.

If declared, the initial dividend will be for the period from but not including the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2008. Except for the initial Dividend Payment Date, the "Dividend Period" relating to a Dividend Payment Date will be the period from but not including the preceding Dividend Payment Date through and including the related Dividend Payment Date. For each Dividend Period from the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2012, the amount of dividends payable on the initial Dividend Payment Date or for any Dividend Period through and including December 31, 2012, that is not a full calendar quarter shall be computed on the basis of 30-day months, a 360-day year and the actual number of days elapsed in any period of less than one month. For the avoidance of doubt, for each Dividend Period from the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2012, in the event that the Liquidation Preference changes in the middle of a Dividend Period, the amount of dividends payable on the Dividend Payment Date at the end of such Dividend Period shall take into account such change in Liquidation Preference and shall be computed at the Dividend Rate on each Liquidation Preference based on the portion of the Dividend Period that each Liquidation Preference was in effect.

3. **Amendment to Paragraph 2(c) of Senior Preferred Stock (Relating to Dividend Rate and Dividend Amount).**

With respect to the Senior Preferred Stock Certificate sold by Seller to Purchaser and purchased by Purchaser from Seller, Seller agrees either to amend the existing paragraph 2(c) of the Senior Preferred Stock Certificate, or to issue a replacement Senior Preferred Stock Certificate, in either case so that, effective September 30, 2012, paragraph 2(c) reads as follows:

> (c) For each Dividend Period from the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2012, "Dividend Rate" means 10.0%; provided, however, that if at any time the Company shall have for any reason failed to pay dividends in cash in a timely manner as required by this Certificate, then immediately following such failure and for all Dividend Periods thereafter until the Dividend Period following the date on which the Company shall have paid in cash full cumulative dividends (including any unpaid dividends added to the Liquidation Preference pursuant to Section 8) the "Dividend Rate" shall mean 12.0%.
>
> For each Dividend Period from January 1, 2013, through and including December 31, 2017, the "Dividend Amount" for a Dividend Period means the amount, if any, by which the Net Worth Amount at the end of the immediately preceding fiscal quarter, less the Applicable Capital Reserve Amount, exceeds zero. For each Dividend Period from January 1, 2018, the "Dividend Amount" for a Dividend Period means the amount, if any, by which the Net Worth Amount at the end of the immediately preceding fiscal quarter exceeds zero. In each case, "Net Worth Amount" means (i) the total assets of the Company (such assets excluding the Commitment and any unfunded amounts thereof) as reflected on the balance sheet of the Company as of the applicable date set forth in this Certificate, prepared in accordance with GAAP, less (ii) the total liabilities of the Company (such liabilities excluding any obligation in respect of any capital stock of the Company, including this Certificate), as reflected on the balance sheet of the Company as of the applicable date set forth in this Certificate, prepared in accordance with GAAP. "Applicable Capital Reserve Amount" means, as of any date of determination, for each Dividend Period from January 1, 2013, through and including December 31, 2013, $3,000,000,000; and for each Dividend Period occurring within each 12-month period thereafter, $3,000,000,000 reduced by an equal amount for each such 12-month period through and including December 31, 2017, so that for each Dividend Period from January 1, 2018, the Applicable Capital Reserve Amount shall be zero. For the avoidance of doubt, if the calculation of the Dividend Amount for a Dividend Period does not exceed zero, then no Dividend Amount shall accrue or be payable for such Dividend Period.

4. **Amendment to Section 3.2 (Relating to the Periodic Commitment Fee).**

Section 3.2 of the Existing Agreement is hereby amended to read as follows:

3.2. *Periodic Commitment Fee.* (a) Commencing March 31, 2011, Seller shall pay to Purchaser quarterly, on the last day of March, June, September and December of each calendar year (each a "Periodic Fee Date"), a periodic commitment fee (the "Periodic Commitment Fee"). The Periodic Commitment Fee shall accrue from January 1, 2011.

(b) The Periodic Commitment Fee is intended to fully compensate Purchaser for the support provided by the ongoing Commitment following December 31, 2010. The amount of the Periodic Commitment Fee shall be set not later than December 31, 2010 with respect to the ensuing five-year period, shall be reset every five years thereafter and shall be determined with reference to the market value of the Commitment as then in effect. The amount of the Periodic Commitment Fee shall be mutually agreed by Purchaser and Seller, subject to their reasonable discretion and in consultation with the Chairman of the Federal Reserve; provided, that Purchaser may waive the Periodic Commitment Fee for up to one year at a time, in its sole discretion, based on adverse conditions in the United States mortgage market.

(c) At the election of Seller, the Periodic Commitment Fee may be paid in cash or by adding the amount thereof ratably to the liquidation preference of each outstanding share of Senior Preferred Stock so that the aggregate liquidation preference of all such outstanding shares of Senior Preferred Stock is increased by an amount equal to the Periodic Commitment Fee. Seller shall deliver notice of such election not later than three (3) Business Days prior to each Periodic Fee Date. If the Periodic Commitment Fee is not paid in cash by 12:00 pm (New York time) on the applicable Periodic Fee Date (irrespective of Seller's election pursuant to this subsection), Seller shall be deemed to have elected to pay the Periodic Commitment Fee by adding the amount thereof to the liquidation preference of the Senior Preferred Stock, and the aggregate liquidation preference of the outstanding shares of Senior Preferred Stock shall thereupon be automatically increased, in the manner contemplated by the first sentence of this section, by an aggregate amount equal to the Periodic Commitment Fee then due.

(d) Notwithstanding anything to the contrary in paragraphs (a), (b), or (c) above, and in consideration of the modification made to the Senior Preferred Stock effective September 30, 2012, for each quarter commencing January 1, 2013, and continuing for as long as paragraph 2 of the Senior Preferred Stock remains in form and content substantially the same as the form and content of the Senior Preferred Stock in effect on September 30, 2012, no Periodic Commitment Fee shall be set, accrue, or be payable.

5. Amendment to Section 5.4 (Relating to Transfer of Assets).

Section 5.4 of the Existing Agreement is hereby amended to read as follows:

5.4. *Transfer of Assets.* Seller shall not, and shall not permit any of its subsidiaries to, in each case without prior written consent of Purchaser, sell, transfer, lease or otherwise dispose of (in one transaction or a series of related transactions) all or any portion of its assets (including Equity Interests in other persons, including subsidiaries), whether now owned or hereafter acquired (any such sale, transfer, lease or disposition, a "Disposition"), other than Dispositions for fair market value:

(a) to a limited life regulated entity ("LLRE") pursuant to Section 1367(i) of the FHE Act;

(b) of assets and properties in the ordinary course of business, consistent with past practice;

(c) of assets and properties having fair market value individually or in aggregate less than $250,000,000 in one transaction or a series of related transactions;

(d) in connection with a liquidation of Seller by a receiver appointed pursuant to Section 1367(a) of the FHE Act;

(e) of cash or cash equivalents for cash or cash equivalents; or

(f) to the extent necessary to comply with the covenant set forth in Section 5.7 below.

6. Amendment to Section 5.7 (Relating to Owned Mortgage Assets).

Section 5.7 of the Existing Agreement is hereby amended to read as follows:

5.7. Mortgage Assets. Seller shall not own, as of any applicable date, Mortgage Assets in excess of (i) on December 31, 2012, $650 billion, or (ii) on December 31 of each year thereafter, 85.0% of the aggregate amount of Mortgage Assets that Seller was permitted to own as of December 31 of the immediately preceding calendar year; provided, that in no event shall Seller be required under this Section 5.7 to own less than $250 billion in Mortgage Assets.

7. Amendment to Section 5 (Adding New Section 5.11 Relating to "Annual Risk Management Plans").

Section 5 of the Existing Agreement is hereby amended by inserting after section 5.10 the following:

> 5.11. Annual Risk Management Plans. Not later than December 15, 2012, and not later than December 15 of each year thereafter while Seller remains in conservatorship pursuant to Section 1367 of the FHE Act, Seller shall, under the direction of Conservator, deliver a risk management plan to Purchaser. Each annual risk management plan shall set out Seller's strategy for reducing its enterprise-wide risk profile and shall describe, in reasonable detail, the actions Seller will take, to reduce both the financial and operational risk associated with each reportable business segment of Seller. Plans delivered subsequent to December 15, 2012 shall also include an assessment of Seller's performance relative to the planned actions described in the prior year's plan. The submission of annual risk management plans under this section shall not in any way limit or affect the Agency in any of its capacities to carry out its statutory responsibilities, including but not limited to providing direction to and oversight of Seller."

8. Existing Agreement to Continue, as Amended.

Except as expressly modified by this Third Amendment, the Existing Agreement shall continue in full force and effect.

9. Effective Date.

This Third Amendment shall not become effective until it has been executed by both of Purchaser and Seller. When this Third Amendment has been so executed, it shall become effective as of the date first above written.

FEDERAL NATIONAL MORTGAGE ASSOCIATION, by

Federal Housing Finance Agency,
its Conservator

Edward J. DeMarco
Acting Director

UNITED STATES DEPARTMENT OF THE TREASURY

Timothy F. Geithner
Secretary of the Treasury

EXHIBIT E

EX-4.1 2 fanniemaeq309302012ex41.htm EXHIBIT 4.1

Exhibit 4.1
EXECUTION VERSION

FANNIE MAE

AMENDED AND RESTATED CERTIFICATE OF DESIGNATION OF TERMS OF VARIABLE LIQUIDATION PREFERENCE SENIOR PREFERRED STOCK, SERIES 2008-2

The Federal Housing Finance Agency, exercising its authority pursuant to Section 1367(b) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. § 4617), as amended, as Conservator of the Federal National Mortgage Association, amends and restates the Certificate of Designation of Terms of Variable Liquidation Preference Senior Preferred Stock, Series 2008-2, created as of September 7, 2008, in accordance with the Third Amendment dated as of August 17, 2012, to the Amended and Restated Preferred Stock Purchase Agreement dated as of September 26, 2008, the Senior Preferred Stock shall have the following designation, powers, preferences, rights, privileges, qualifications, limitations, restrictions, terms and conditions:

1. Designation, Par Value, Number of Shares and Priority

The designation of the series of preferred stock of the Federal National Mortgage Association (the "Company") created by this resolution shall be "Variable Liquidation Preference Senior Preferred Stock, Series 2008-2" (the "Senior Preferred Stock"), and the number of shares initially constituting the Senior Preferred Stock is 1,000,000. Shares of Senior Preferred Stock will have no par value and a stated value and initial liquidation preference per share equal to $1,000 per share, subject to adjustment as set forth herein. The Board of Directors of the Company, or a duly authorized committee thereof, in its sole discretion, may reduce the number of shares of Senior Preferred Stock, provided such reduction is not below the number of shares of Senior Preferred Stock then outstanding.

The Senior Preferred Stock shall rank prior to the common stock of the Company as provided in this Certificate and shall rank, as to both dividends and distributions upon dissolution, liquidation or winding up of the Company, prior to (a) the shares of preferred stock of the Company designated "5.25% Non-Cumulative Preferred Stock, Series D", "5.10% Non-Cumulative Preferred Stock, Series E", "Variable Rate Non-Cumulative Preferred Stock, Series F", "Variable Rate Non-Cumulative Preferred Stock, Series G", "5.81% Non-Cumulative Preferred Stock, Series H", "5.375% Non-Cumulative Preferred Stock, Series I", "5.125% Non-Cumulative Preferred Stock, Series L", "4.75% Non-Cumulative Preferred Stock, Series M", "5.50% Non-Cumulative Preferred Stock, Series N", "Non-Cumulative Preferred Stock, Series O", "Non-Cumulative Convertible Series 2004-1 Preferred Stock", "Variable Rate Non-Cumulative Preferred Stock, Series P", "6.75% Non-Cumulative Preferred Stock, Series Q", "7.625% Non-Cumulative Preferred Stock, Series R", "Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series S", and "8.75% Non-Cumulative Mandatory Convertible Preferred Stock", Series 2008-1", (b) any other capital stock of the Company outstanding on the date of the initial issuance of the Senior Preferred Stock and (c) any

capital stock of the Company that may be issued after the date of initial issuance of the Senior Preferred Stock.

2. Dividends

(a) For each Dividend Period from the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2012, holders of outstanding shares of Senior Preferred Stock shall be entitled to receive, ratably, when, as and if declared by the Board of Directors, in its sole discretion, out of funds legally available therefor, cumulative cash dividends at the annual rate per share equal to the then-current Dividend Rate on the then-current Liquidation Preference. For each Dividend Period from January 1, 2013, holders of outstanding shares of Senior Preferred Stock shall be entitled to receive, ratably, when, as and if declared by the Board of Directors, in its sole discretion, out of funds legally available therefor, cumulative cash dividends in an amount equal to the then-current Dividend Amount. Dividends on the Senior Preferred Stock shall accrue from but not including the date of the initial issuance of the Senior Preferred Stock and will be payable in arrears when, as and if declared by the Board of Directors quarterly on March 31, June 30, September 30 and December 31 of each year (each, a "Dividend Payment Date"), commencing on December 31, 2008. If a Dividend Payment Date is not a "Business Day," the related dividend will be paid not later than the next Business Day with the same force and effect as though paid on the Dividend Payment Date, without any increase to account for the period from such Dividend Payment Date through the date of actual payment. "Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which New York City banks are closed, or (iii) a day on which the offices of the Company are closed.

If declared, the initial dividend will be for the period from but not including the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2008. Except for the initial Dividend Payment Date, the "Dividend Period" relating to a Dividend Payment Date will be the period from but not including the preceding Dividend Payment Date through and including the related Dividend Payment Date. For each Dividend Period from the date of initial issuance of the Senior Preferred Stock through and including December 31, 2012, the amount of dividends payable on the initial Dividend Payment Date or for any Dividend Period through and including December 31, 2012, that is not a full calendar quarter shall be computed on the basis of 30-day months, a 360-day year and the actual number of days elapsed in any period of less than one month. For the avoidance of doubt, for each Dividend Period from the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2012, in the event that the Liquidation Preference changes in the middle of a Dividend Period, the amount of dividends payable on the Dividend Payment Date at the end of such Dividend Period shall take into account such change in Liquidation Preference and shall be computed at the Dividend Rate on each Liquidation Preference based on the portion of the Dividend Period that each Liquidation Preference was in effect.

(b) To the extent not paid pursuant to Section 2(a) above, dividends on the Senior Preferred Stock shall accrue and shall be added to the Liquidation Preference pursuant to Section 8, whether or not there are funds legally available for the payment of such dividends and whether or not dividends are declared.

(c) For each Dividend Period from the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2012, "Dividend Rate" means 10.0%;

provided, however, that if at any time the Company shall have for any reason failed to pay dividends in cash in a timely manner as required by this Certificate, then immediately following such failure and for all Dividend Periods thereafter until the Dividend Period following the date on which the Company shall have paid in cash full cumulative dividends (including any unpaid dividends added to the Liquidation Preference pursuant to Section 8) the "Dividend Rate" shall mean 12.0%.

For each Dividend Period from January 1, 2013, through and including December 31, 2017, the "Dividend Amount" for a Dividend Period means the amount, if any, by which the Net Worth Amount at the end of the immediately preceding fiscal quarter, less the Applicable Capital Reserve Amount, exceeds zero. For each Dividend Period from January 1, 2018, the "Dividend Amount" for a Dividend Period means the amount, if any, by which the Net Worth Amount at the end of the immediately preceding fiscal quarter exceeds zero. In each case, "Net Worth Amount" means (i) the total assets of the Company (such assets excluding the Commitment and any unfunded amounts thereof) as reflected on the balance sheet of the Company as of the applicable date set forth in this Certificate, prepared in accordance with GAAP, less (ii) the total liabilities of the Company (such liabilities excluding any obligation in respect of any capital stock of the Company, including this Certificate), as reflected on the balance sheet of the Company as of the applicable date set forth in this Certificate, prepared in accordance with GAAP. "Applicable Capital Reserve Amount" means, as of any date of determination, for each Dividend Period from January 1, 2013, through and including December 31, 2013, $3,000,000,000; and for each Dividend Period occurring within each 12-month period thereafter, $3,000,000,000 reduced by an equal amount for each such 12-month period through and including December 31, 2017, so that for each Dividend Period from January 1, 2018, the Applicable Capital Reserve Amount shall be zero. For the avoidance of doubt, if the calculation of the Dividend Amount for a Dividend Period does not exceed zero, then no Dividend Amount shall accrue or be payable for such Dividend Period.

(d) Each such dividend shall be paid to the holders of record of outstanding shares of the Senior Preferred Stock as they appear in the books and records of the Company on such record date as shall be fixed in advance by the Board of Directors, not to be earlier than 45 days nor later than 10 days preceding the applicable Dividend Payment Date. The Company may not, at any time, declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any common stock or other securities ranking junior to the Senior Preferred Stock unless (i) full cumulative dividends on the outstanding Senior Preferred Stock in respect of the then-current Dividend Period and all past Dividend Periods (including any unpaid dividends added to the Liquidation Preference pursuant to Section 8) have been declared and paid in cash (including through any pay down of Liquidation Preference pursuant to Section 3) and (ii) all amounts required to be paid pursuant to Section 4 (without giving effect to any prohibition on such payment under any applicable law) have been paid in cash.

(e) Notwithstanding any other provision of this Certificate, the Board of Directors, in its discretion, may choose to pay dividends on the Senior Preferred Stock without the payment of any dividends on the common stock, preferred stock or any other class or series of stock from time to time outstanding ranking junior to the Senior Preferred Stock with respect to the payment of dividends.

(f) If and whenever dividends, having been declared, shall not have been paid in full,

as aforesaid, on shares of the Senior Preferred Stock, all such dividends that have been declared on shares of the Senior Preferred Stock shall be paid to the holders pro rata based on the aggregate Liquidation Preference of the shares of Senior Preferred Stock held by each holder, and any amounts due but not paid in cash shall be added to the Liquidation Preference pursuant to Section 8.

3. Optional Pay Down of Liquidation Preference

(a) Following termination of the Commitment (as defined in the Preferred Stock Purchase Agreement referred to in Section 8 below), and subject to any limitations which may be imposed by law and the provisions below, the Company may pay down the Liquidation Preference of all outstanding shares of the Senior Preferred Stock pro rata, at any time, in whole or in part, out of funds legally available therefor, with such payment first being used to reduce any accrued and unpaid dividends previously added to the Liquidation Preference pursuant to Section 8 below and, to the extent all such accrued and unpaid dividends have been paid, next being used to reduce any Periodic Commitment Fees (as defined in the Preferred Stock Purchase Agreement referred to in Section 8 below) previously added to the Liquidation Preference pursuant to Section 8 below. Prior to termination of the Commitment, and subject to any limitations which may be imposed by law and the provisions below, the Company may pay down the Liquidation Preference of all outstanding shares of the Senior Preferred Stock pro rata, at any time, out of funds legally available therefor, but only to the extent of (i) accrued and unpaid dividends previously added to the Liquidation Preference pursuant to Section 8 below and not repaid by any prior pay down of Liquidation Preference and (ii) Periodic Commitment Fees previously added to the Liquidation Preference pursuant to Section 8 below and not repaid by any prior pay down of Liquidation Preference. Any pay down of Liquidation Preference permitted by this Section 3 shall be paid by making a payment in cash to the holders of record of outstanding shares of the Senior Preferred Stock as they appear in the books and records of the Company on such record date as shall be fixed in advance by the Board of Directors, not to be earlier than 45 days nor later than 10 days preceding the date fixed for the payment.

(b) In the event the Company shall pay down of the Liquidation Preference of the Senior Preferred Stock as aforesaid, notice of such pay down shall be given by the Company by first class mail, postage prepaid, mailed neither less than 10 nor more than 45 days preceding the date fixed for the payment, to each holder of record of the shares of the Senior Preferred Stock, at such holder's address as the same appears in the books and records of the Company. Each such notice shall state the amount by which the Liquidation Preference of each share shall be reduced and the pay down date.

(c) If after termination of the Commitment the Company pays down the Liquidation Preference of each outstanding share of Senior Preferred Stock in full, such shares shall be deemed to have been redeemed as of the date of such payment, and the dividend that would otherwise be payable for the Dividend Period ending on the pay down date will be paid on such date. Following such deemed redemption, the shares of the Senior Preferred Stock shall no longer be deemed to be outstanding, and all rights of the holders thereof as holders of the Senior Preferred Stock shall cease, with respect to shares so redeemed, other than the right to receive the pay down amount (which shall include the final dividend for such shares). Any shares of the Senior Preferred Stock

which shall have been so redeemed, after such redemption, shall no longer have the status of authorized, issued or outstanding shares.

4. Mandatory Pay Down of Liquidation Preference Upon Issuance of Capital Stock

(a) If the Company shall issue any shares of capital stock (including without limitation common stock or any series of preferred stock) in exchange for cash at any time while the Senior Preferred Stock is outstanding, then the Company shall, within 10 Business Days, use the proceeds of such issuance net of the direct costs relating to the issuance of such securities (including, without limitation, legal, accounting and investment banking fees) to pay down the Liquidation Preference of all outstanding shares of Senior Preferred Stock pro rata, out of funds legally available therefor, by making a payment in cash to the holders of record of outstanding shares of the Senior Preferred Stock as they appear in the books and records of the Company on such record date as shall be fixed in advance by the Board of Directors, not to be earlier than 45 days nor later than 10 days preceding the date fixed for the payment, with such payment first being used to reduce any accrued and unpaid dividends previously added to the Liquidation Preference pursuant to Section 8 below and, to the extent all such accrued and unpaid dividends have been paid, next being used to reduce any Periodic Commitment Fees (as defined in the Preferred Stock Purchase Agreement referred to in Section 8 below) previously added to the Liquidation Preference pursuant to Section 8 below; provided that, prior to the termination of the Commitment (as defined in the Preferred Stock Purchase Agreement referred to in Section 8 below), the Liquidation Preference of each share of Senior Preferred Stock shall not be paid down below $1,000 per share.

(b) If the Company shall not have sufficient assets legally available for the pay down of the Liquidation Preference of the shares of Senior Preferred Stock required under Section 4(a), the Company shall pay down the Liquidation Preference per share to the extent permitted by law, and shall pay down any Liquidation Preference not so paid down because of the unavailability of legally available assets or other prohibition as soon as practicable to the extent it is thereafter able to make such pay down legally. The inability of the Company to make such payment for any reason shall not relieve the Company from its obligation to effect any required pay down of the Liquidation Preference when, as and if permitted by law.

(c) If after the termination of the Commitment the Company pays down the Liquidation Preference of each outstanding share of Senior Preferred Stock in full, such shares shall be deemed to have been redeemed as of the date of such payment, and the dividend that would otherwise be payable for the Dividend Period ending on the pay down date will be paid on such date. Following such deemed redemption, the shares of the Senior Preferred Stock shall no longer be deemed to be outstanding, and all rights of the holders thereof as holders of the Senior Preferred Stock shall cease, with respect to shares so redeemed, other than the right to receive the pay down amount (which shall include the final dividend for such redeemed shares). Any shares of the Senior Preferred Stock which shall have been so redeemed, after such redemption, shall no longer have the status of authorized, issued or outstanding shares.

5. No Voting Rights

Except as set forth in this Certificate or otherwise required by law, the shares of the

Senior Preferred Stock shall not have any voting powers, either general or special.

6. No Conversion or Exchange Rights

The holders of shares of the Senior Preferred Stock shall not have any right to convert such shares into or exchange such shares for any other class or series of stock or obligations of the Company.

7. No Preemptive Rights

No holder of the Senior Preferred Stock shall as such holder have any preemptive right to purchase or subscribe for any other shares, rights, options or other securities of any class of the Company which at any time may be sold or offered for sale by the Company.

8. Liquidation Rights and Preference

(a) Except as otherwise set forth herein, upon the voluntary or involuntary dissolution, liquidation or winding up of the Company, the holders of the outstanding shares of the Senior Preferred Stock shall be entitled to receive out of the assets of the Company available for distribution to stockholders, before any payment or distribution shall be made on the common stock or any other class or series of stock of the Company ranking junior to the Senior Preferred Stock upon liquidation, the amount per share equal to the Liquidation Preference plus an amount, determined in accordance with Section 2(a) above, equal to the dividend otherwise payable for the then-current Dividend Period accrued through and including the date of payment in respect of such dissolution, liquidation or winding up; provided, however, that if the assets of the Company available for distribution to stockholders shall be insufficient for the payment of the amount which the holders of the outstanding shares of the Senior Preferred Stock shall be entitled to receive upon such dissolution, liquidation or winding up of the Company as aforesaid, then, all of the assets of the Company available for distribution to stockholders shall be distributed to the holders of outstanding shares of the Senior Preferred Stock pro rata based on the aggregate Liquidation Preference of the shares of Senior Preferred Stock held by each holder.

(b) "Liquidation Preference" shall initially mean $1,000 per share and shall be:

(i) increased each time a Deficiency Amount (as defined in the Preferred Stock Purchase Agreement) is paid to the Company by an amount per share equal to the aggregate amount so paid to the Company divided by the number of shares of Senior Preferred Stock outstanding at the time of such payment;

(ii) increased each time the Company does not pay the full Periodic Commitment Fee (as defined in the Preferred Stock Purchase Agreement) in cash by an amount per share equal to the amount of the Periodic Commitment Fee that is not paid in cash divided by the number of shares of Senior Preferred Stock outstanding at the time such payment is due;

(iii) increased on the Dividend Payment Date if the Company fails to pay in full the dividend payable for the Dividend Period ending on such date by an amount per share equal to the aggregate amount of unpaid dividends divided by the number of shares of Senior Preferred Stock outstanding on such date; and

(iv) decreased each time the Company pays down the Liquidation Preference pursuant to Section 3 or Section 4 of this Certificate by an amount per share equal to the aggregate amount of the pay down divided by the number of shares of Senior Preferred Stock outstanding at the time of such pay down.

(c) "Preferred Stock Purchase Agreement" means the Preferred Stock Purchase Agreement, dated September 7, 2008, between the Company and the United States Department of the Treasury.

(d) Neither the sale of all or substantially all of the property or business of the Company, nor the merger, consolidation or combination of the Company into or with any other corporation or entity, shall be deemed to be a dissolution, liquidation or winding up for the purpose of this Section 8.

9. Additional Classes or Series of Stock

The Board of Directors shall have the right at any time in the future to authorize, create and issue, by resolution or resolutions, one or more additional classes or series of stock of the Company, and to determine and fix the distinguishing characteristics and the relative rights, preferences, privileges and other terms of the shares thereof; provided that, any such class or series of stock may not rank prior to or on parity with the Senior Preferred Stock without the prior written consent of the holders of at least two-thirds of all the shares of Senior Preferred Stock at the time outstanding.

10. Miscellaneous

(a) The Company and any agent of the Company may deem and treat the holder of a share or shares of Senior Preferred Stock, as shown in the Company's books and records, as the absolute owner of such share or shares of Senior Preferred Stock for the purpose of receiving payment of dividends in respect of such share or shares of Senior Preferred Stock and for all other purposes whatsoever, and neither the Company nor any agent of the Company shall be affected by any notice to the contrary. All payments made to or upon the order of any such person shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge liabilities for moneys payable by the Company on or with respect to any such share or shares of Senior Preferred Stock.

(b) The shares of the Senior Preferred Stock, when duly issued, shall be fully paid and non-assessable.

(c) The Senior Preferred Stock may be issued, and shall be transferable on the books of the Company, only in whole shares.

(d) For purposes of this Certificate, the term "the Company" means the Federal National Mortgage Association and any successor thereto by operation of law or by reason of a merger, consolidation, combination or similar transaction.

(e) This Certificate and the respective rights and obligations of the Company and the holders of the Senior Preferred Stock with respect to such Senior Preferred Stock shall be construed in accordance with and governed by the laws of the United States, provided that the law of the State of Delaware shall serve as the federal rule of decision in all instances except where such law is inconsistent with the Company's enabling legislation, its public purposes or any

provision of this Certificate.

(f) Any notice, demand or other communication which by any provision of this Certificate is required or permitted to be given or served to or upon the Company shall be given or served in writing addressed (unless and until another address shall be published by the Company) to Fannie Mae, 3900 Wisconsin Avenue NW, Washington, DC 20016, Attn: Executive Vice President and General Counsel. Such notice, demand or other communication to or upon the Company shall be deemed to have been sufficiently given or made only upon actual receipt of a writing by the Company. Any notice, demand or other communication which by any provision of this Certificate is required or permitted to be given or served by the Company hereunder may be given or served by being deposited first class, postage prepaid, in the United States mail addressed (i) to the holder as such holder's name and address may appear at such time in the books and records of the Company or (ii) if to a person or entity other than a holder of record of the Senior Preferred Stock, to such person or entity at such address as reasonably appears to the Company to be appropriate at such time. Such notice, demand or other communication shall be deemed to have been sufficiently given or made, for all purposes, upon mailing.

(g) The Company, by or under the authority of the Board of Directors, may amend, alter, supplement or repeal any provision of this Certificate pursuant to the following terms and conditions:

(i) Without the consent of the holders of the Senior Preferred Stock, the Company may amend, alter, supplement or repeal any provision of this Certificate to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Certificate, provided that such action shall not adversely affect the interests of the holders of the Senior Preferred Stock.

(ii) The consent of the holders of at least two-thirds of all of the shares of the Senior Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of the Senior Preferred Stock shall vote together as a class, shall be necessary for authorizing, effecting or validating the amendment, alteration, supplementation or repeal (whether by merger, consolidation or otherwise) of the provisions of this Certificate other than as set forth in subparagraph (i) of this paragraph (g). The creation and issuance of any other class or series of stock, or the issuance of additional shares of any existing class or series of stock, of the Company ranking junior to the Senior Preferred Stock shall not be deemed to constitute such an amendment, alteration, supplementation or repeal.

(iii) Holders of the Senior Preferred Stock shall be entitled to one vote per share on matters on which their consent is required pursuant to subparagraph (ii) of this paragraph (g). In connection with any meeting of such holders, the Board of Directors shall fix a record date, neither earlier than 60 days nor later than 10 days prior to the date of such meeting, and holders of record of shares of the Senior Preferred Stock on such record date shall be entitled to notice of and to vote at any such meeting and any adjournment. The Board of Directors, or such person or persons as it may designate, may

establish reasonable rules and procedures as to the solicitation of the consent of holders of the Senior Preferred Stock at any such meeting or otherwise, which rules and procedures shall conform to the requirements of any national securities exchange on which the Senior Preferred Stock may be listed at such time.

(h) **RECEIPT AND ACCEPTANCE OF A SHARE OR SHARES OF THE SENIOR PREFERRED STOCK BY OR ON BEHALF OF A HOLDER SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER (AND ALL OTHERS HAVING BENEFICIAL OWNERSHIP OF SUCH SHARE OR SHARES) OF ALL OF THE TERMS AND PROVISIONS OF THIS CERTIFICATE. NO SIGNATURE OR OTHER FURTHER MANIFESTATION OF ASSENT TO THE TERMS AND PROVISIONS OF THIS CERTIFICATE SHALL BE NECESSARY FOR ITS OPERATION OR EFFECT AS BETWEEN THE COMPANY AND THE HOLDER (AND ALL SUCH OTHERS).**

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Company this 27th day of September, 2012.

[Seal]

FEDERAL NATIONAL MORTGAGE ASSOCIATION, by
The Federal Housing Finance Agency, its Conservator
/s/ Edward J. DeMarco
Edward J. DeMarco
Acting Director

Signature Page to September 2012 Amended and Restated Certificate of Designation of Senior Preferred Stock

EXHIBIT F

YOUNG CONAWAY STARGATT & TAYLOR, LLP
Attorneys at Law

WILMINGTON
RODNEY SQUARE

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bflinn@ycst.com

January 19, 2016

BY EMAIL & CERTIFIED MAIL

Egbert L. J. Perry, Non-Executive Chairman of the Board
Amy E. Alving
William T. Forrester
Hugh R. Frater
Brenda J. Gaines
Renee L. Glover
Frederick B. Harvey III
Robert H. Herz
Timothy J. Mayopoulos
Diane C. Nordin
Jonathan Plutzik
David H. Sidwell

Board of Directors
Federal National Mortgage Association
Office of the Secretary of the Corporation
3900 Wisconsin Avenue, NW (MS 1H 2S 05)
Washington, DC 20016-2892
board@fanniemae.com

RE: Demand for Action Concerning Improper Dividend Payments

Dear Ladies and Gentlemen of the Board:

We represent Timothy Pagliara, the beneficial owner of stock in the Federal National Mortgage Association ("Fannie Mae" or the "Company"). We write on our client's behalf to urge you, as members of the Board of Directors of the Company (the "Board" or the "Board of Directors"), to satisfy your fiduciary duty under Delaware law by taking the following steps:

Rodney Square • 1000 North King Street • Wilmington, DE 19801
P 302.571.6600 F 302.571.1253 YoungConaway.com

i. Publicly clarify the Board's role in declaring and paying dividends to the United States Treasury ("Treasury") on account of its senior preferred stock (the "Senior Preferred Stock");

ii. Publicly declare, for reasons detailed herein, including out of concern for the financial soundness of the Company, that the Board does not agree with the declaration and payment of dividends to Treasury on account of the Senior Preferred Stock; and

iii. Exercise your authority under Delaware law to cause the Company to immediately stop declaring and paying dividends to Treasury on account of the Senior Preferred Stock.

As you know, Fannie Mae is a federally-chartered corporation established pursuant to the Federal National Mortgage Association Charter Act (the "Charter Act"). Also as you know, it is owned by private stockholders, including our client. To the extent not inconsistent with the Charter Act and other federal law, Delaware law is the law of decision governing Fannie Mae's corporate governance practices and procedures. Fannie Mae Bylaws § 1.05. Delaware law governs the Board's ability to declare and pay dividends.

Under Delaware law, dividends are voluntary. Their declaration and payment is subject to the discretion of the Board. Section 170 of the Delaware General Corporation Law (the "DGCL") states that the "directors of every corporation . . . *may* declare and pay dividends upon the shares of its capital stock . . ." under specified circumstances. 8 *Del. C.* § 170(a) (emphasis added). The Charter Act states that Fannie Mae may make distributions, including dividends, "as may be declared by the board of directors." 12 U.S.C. §1717(c)(1). In addition, Treasury's Amended and Restated Senior Preferred Stock Certificate, executed *after* the Fannie Mae Board was reconstituted by the Federal Housing Finance Agency ("FHFA"), states that holders of such stock are only entitled to cash dividend payments "when, as and if declared by the Board of Directors, in its sole discretion, out of funds legally available therefor." Fannie Mae Amended and Restated Senior Preferred Stock Certificate of Designation ¶ 2(a).

Fannie Mae is prohibited from paying dividends to Treasury except in strict compliance with section 170 of the DGCL and Fannie Mae's corporate charter. 8 *Del. C.* § 173. Under Section 170, a Delaware corporation's board of directors may only declare and pay dividends in a manner consistent with the charter, and only out of the corporation's surplus or, if no surplus exists, the corporation's net profits. 8 *Del. C.* § 170(a). Delaware law imposes joint and several personal liability on any director of a corporation under whose administration an unlawful dividend is paid. 8 *Del. C.* § 174.

Moreover, under Delaware law, mere compliance with Section 170 is not sufficient; the Board must also comply with its fiduciary duties in declaring and paying

dividends. *See, e.g.*, *Sinclair Oil Corp. v. Levien*, 280 A.2d 717, 721 (Del. 1971). For example, Fannie Mae is prohibited from paying dividends that amount to corporate waste or are driven by improper motives. *See id.* at 722. Also, where a dividend is paid to a controlling stockholder to the detriment of other minority stockholders, as in the case of Fannie Mae's dividend payments to Treasury (the Company's controlling stockholder, a related party and FHFA's sister agency), Delaware law applies the intrinsic fairness standard to assess the board's decision to declare and pay the dividend. *See In re Primedia Inc., Deriv. Litig.*, 910 A.2d 248, 260 (Del. Ch. 2006) ("[I]n certain circumstances, when a controlling entity or stockholder causes a corporation to enter into a self-dealing transaction and controls the terms of the transaction, the business judgment rule is inapplicable[.]") (citing *Sinclair*, 280 A.2d at 720). The Board may be held liable for breach of fiduciary duty in approving such dividends. *See* 8 *Del. C.* § 174(a) ("In case of any willful or negligent violation of . . . § 173 of this title, the directors under whose administration the same may happen shall be jointly and severally liable, at any time within 6 years after paying such unlawful dividend or after such unlawful stock purchase or redemption, to the corporation . . . to the full amount of the dividend unlawfully paid . . . with interest from the time such liability accrued.").

To date, public disclosure on the Board's role in declaring and paying dividends has been far from clear. In recent years, the Board has tried to claim that it has no role in the declaration of dividends, stating that FHFA as conservator has "assumed all rights, powers, and privileges of the company, including those of the board of directors… [and] has retained certain authorities for its exclusive determination and control, as provided by federal statute, including all decisions relating to the declaration and payment of dividends to the United States Treasury." *Statement from Philip A. Laskawy, Chairman, Fannie Mae* (Mar. 2, 2014). However, when this Board was initially reconstituted by FHFA, the delegation of authority to the Board implied that the Board was delegated a role in declaring dividends, stating that the Board may take actions related to dividends (as is required under Delaware law), but must "consult with and obtain the consent of the conservator before taking . . . actions involving capital stock, dividends, [and] the Senior Preferred Stock Purchase Agreement between [Treasury and the Company]." *Fannie Mae Current Report on Form 8-K*, p. 2 (Dec. 19, 2008).

Stockholders in Fannie Mae, a publicly-traded, SEC-registered Delaware corporation, deserve to know the extent to which the Board, FHFA and others are responsible for the allocation of the Company's capital and the distribution of dividends to Treasury. For this reason, we strongly urge you to remove the cloud hanging over these decisions and publicly clarify your role in the declaration and payment of dividends.

In addition, regardless of whether the dividends have been declared and paid with Board approval or as a result of the Board's inaction, the director liability imposed on Fannie Mae directors by Delaware law for the payment of unlawful dividends is not assumed by FHFA as conservator. Several statements by FHFA and the Company have

made clear that the Board is a legally constituted board subject to Delaware law. As FHFA stated in a 2012 letter to its Inspector General regarding the decision to reconstitute the Fannie Mae Board, "FHFA views part of its 'preserve and conserve' mandate to include preserving the entities as private companies with the capacity and responsibility to make business decisions following normal corporate governance procedures." Fannie Mae has also made statements confirming that the Board was reconstituted pursuant to, and remains subject to, Delaware corporate law for corporate governance purposes, even under conservatorship. *See, e.g.*, *Fannie Mae 2014 Annual Report on Form 10*-K, p. 164 (Feb. 20, 2015).

Despite the statutory liabilities and fiduciary duties imposed on directors subject to Delaware law, there is no indication that the Fannie Mae Board has made any effort to ensure that, under its administration, the cash dividends being declared and paid by the Company to Treasury on a quarterly basis are lawful. At a minimum, the Board of Directors must confirm that there is sufficient surplus from which to make the dividend payments and that the dividends are entirely fair to the Company, do not constitute corporate waste, and have a rational business purpose. Instead, Fannie Mae's Board has seemingly resolved itself to inaction. This is never an acceptable method of satisfying one's fiduciary duty.

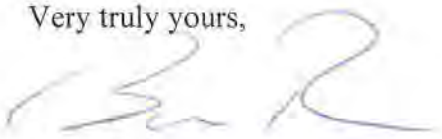
The risk to the Company is obvious. As of November 5, 2015, Fannie Mae expected to pay Treasury a voluntary cash dividend of $2.2 billion in the fourth quarter of 2015, leaving it with a net worth of only $1.8 billion. *Fannie Mae Quarterly Report on Form 10-Q*, p. 8 (Nov. 5, 2015).[1] At the same time, the Company has stated that it "could experience a net worth deficit in a future quarter, particularly as [the Company's] capital reserve approaches or reaches zero [pursuant to the terms of the Senior Preferred Stock.]" *Id.* at 14. Fannie Mae has paid out, and continues to pay out, billions of dollars in discretionary cash dividends to Treasury under this Board's administration while the contractual restraints on capital preservation imposed by the Senior Preferred Stock have left it teetering perilously on the edge of insolvency. Courts applying Delaware law have repeatedly confirmed that a director's "conscious disregard of a known risk" is a breach of his or her fiduciary duty and does not absolve such director from personal liability for failure to affirmatively consider a risk. *See, e.g.*, *In re Abbott Labs. Derivative Shareholders Litig.*, 325 F.3d 795, 811 (7th Cir. 2003). Other legal commenters have similarly noted that the payment of these dividends to Treasury "sets a horrible precedent and it violates the Housing and Economic Recovery Act of 2008 as well as traditional corporate law practices." Gretchen Morgenson, *Fannie and Freddie's Government Rescue Has Come with Claws*, N.Y. Times (Dec. 12, 2015) (quoting Logan Beirne, a fellow at the Information Society Project at Yale Law School).

[1] Fannie Mae has not yet released its 2015 Annual Report on Form 10-K confirming whether this dividend was actually paid.

Each of you, as a member of a Delaware-law governed corporate board of directors, has a duty to the Company, and to our client as a stockholder, to prevent Fannie Mae from making improperly motivated and unlawful dividend payments that threaten the Company's solvency, and you may be held personally liable for failure to do so. The Board's compliance with the wishes of FHFA and Treasury cannot absolve the Board of breaches of its fiduciary duties to the Company. *See, e.g.*, 8 *Del. C.* § 102(b)(7). As explained in our separate letter, the Board remains subject to liability for breaches of statutory and fiduciary duties despite the pendency of the conservatorship. Even if this were not so, the conservatorship will inevitably end,[2] at which time the Board will undoubtedly be subject to liability for its actions during the conservatorship.

We urge you to take your fiduciary duty as a director seriously, and to make your voice heard by publicly declaring that the Board does not agree with the payment and declaration of unlawful dividends to Treasury. Delaware law obligates directors to continue to exercise every remedy at their disposal even where a controlling stockholder holds substantial blocking rights. *See, e.g.*, *Omnicare, Inc. v. NCS Healthcare, Inc.*, 818 A.2d 914, 937 (Del. 2003) (noting that the board of directors "could not abdicate its fiduciary duties to the minority [stockholders] by leaving it to the stockholders alone to approve or disapprove [a] merger agreement [where] two stockholders had already combined to establish a majority of the voting power that made the outcome of the stockholder vote a foregone conclusion"). We also urge you to take whatever steps you have at your disposal to cause Fannie Mae to immediately cease declaring and paying dividends to Treasury.

Very truly yours,



C. Barr Flinn

CBF:KLL

cc: Brian P. Brooks, Esq. (via e-mail)

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[2] Debate in Congress recently confirmed, in connection with approving the Consolidated Appropriations Act, 2016 – Section 702, that the conservatorship has a finite duration, regardless of the Third Amendment and other developments. For example, in discussing provisions in the Consolidated Appropriations Act concerning Treasury's preferred stock, Senate Minority Leader Harry Reid noted that "As then-Secretary Paulson described, conservatorship was meant to be a 'time out' not an indefinite state of being." Banking Committee Ranking Member Sen. Sherrod Brown then added: ". . . The FHFA and Treasury Department could have placed the GSEs into receivership if the intent was to liquidate them. The purpose of a conservatorship is to preserve and conserve the assets of the entities in conservatorship until they are in a safe and solvent condition as determined by their regulator."

EXHIBIT G

Federal Housing Finance Agency

Constitution Center
400 7th Street, S.W.
Washington, D.C. 20024
Telephone: (202) 649-3800
Facsimile: (202) 649-1071
www.fhfa.gov

January 27, 2016

Non Public Communication
By Electronic Mail to bflinn@ycst.com

C. Barr Flinn
Young Conway Stargatt & Taylor, LLP
Rodney Square
1000 North King Street
Wilmington, DE 19801

Dear Mr. Flinn:

The Federal Housing Finance Agency, in its capacity as Conservator ("FHFA" or "Conservator") of the Federal National Mortgage Association ("Fannie Mae"), has reviewed your January 19, 2016 letters to Fannie Mae's Board of Directors concerning dividend payments and demanding to inspect certain Fannie Mae records.

Please be advised that pursuant to the Housing and Economic Recovery Act of 2008, the Conservator has succeeded by operation of law to "all rights, titles, powers, and privileges of [Fannie Mae], and of any stockholder, officer, or director of [Fannie Mae]" with respect to Fannie Mae and its assets; 12 USC 4617(b)(2)(A)(i). Those "rights, titles, powers, and privileges" of the "stockholder[s]" to which the Conservator succeeded include all stockholder inspection rights. Therefore, among other reasons, so long as Fannie Mae remains in conservatorship, Investors Unite has no basis upon which to demand inspection of Fannie Mae records.

Moreover, your position on the applicable law governing the board of directors is incorrect. As noted in Fannie Mae's regularly filed disclosures, its boards of directors "serve on behalf of the conservator and exercise their authority as directed by and with the approval, where required, of the conservator;" and the "directors have no fiduciary duties to any person or entity except to the conservator." Fannie Mae 2013 10-K at 23. Because any fiduciary duties of this board of directors flow directly and exclusively to the Conservator, state law principles such as those you assert in your letter are simply not applicable here. Finally, I note that payments by Fannie Mae of dividends to the United States Treasury have been made pursuant to directives of the Conservator.

With all best wishes, I am

Sincerely,

Alfred M. Pollard
General Counsel

EXHIBIT H

Brian P. Brooks

Executive Vice President, General Counsel
and Corporate Secretary

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January 26, 2016

Via Email and First Class Mail

C. Barr Flinn, Esq.
Young Conaway Stargatt & Taylor, LLP
Rodney Square
1000 North King Street
Wilmington, DE 19801

bflinn@ycst.com

Dear Mr. Flinn:

As you are aware, Fannie Mae is a federally-chartered corporation, operating under a federal conservatorship since 2008. Under federal law, when Fannie Mae entered conservatorship, the Conservator assumed, by operation of law, all of the rights, titles, powers, and privileges of the company, its board of directors, and its shareholders. (See 12 U.S.C. §4617(b)(2)(A)(i).) The Conservator has authorized me to respond on behalf of the Fannie Mae Board of Directors to your two letters, dated January 19, 2016, concerning dividend payments and your client's demand for inspection of certain of Fannie Mae's books and records.

You have characterized your first letter as a "Demand for Action Concerning Improper Dividend Payments." The Board disagrees with the position on the applicable law governing the Board set forth in your letters. Among other things, to the extent that state law principles such as those you assert in your letter would impose obligations different from those arising under federal law and the related federal conservatorship, federal law controls.

Moreover, Fannie Mae's payments of dividends to the United States Treasury have been made pursuant to quarterly directives from the Conservator. Our directors serve on behalf of the Conservator and have no fiduciary duties to any person or entity except to the Conservator.

Your second letter demands inspection of Fannie Mae's books and records pursuant to Delaware law. Because, as noted above, the Conservator has assumed all of the rights, titles, powers, and privileges of the company, its board of directors, and its shareholders, we have referred your request in this matter to FHFA for further consideration.

Sincerely,

/s/ Brian P. Brooks

cc: Alfred Pollard, General Counsel, FHFA