

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

IN RE FANNIE MAE 2008 SECURITIES
LITIGATION

:
: Master File No. 08 Civ. 7831 (PAC)
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STIPULATION AND AGREEMENT OF SETTLEMENT

This Stipulation and Agreement of Settlement (the “Stipulation”) is made and entered effective October 24, 2014, by and among: (i) Lead Plaintiffs, the Massachusetts Pension Reserves Investment Management Board (“PRIM”) and State Boston Retirement Board (“SBRB”), as co-lead plaintiffs for the Common Stock Class (defined below), and Tennessee Consolidated Retirement System (“TCRS”), as lead plaintiff for the Preferred Stock Class (defined below) (collectively, the “Lead Plaintiffs”), for themselves and on behalf of all persons who are members of the Common Stock Class and/or Preferred Stock Class, respectively, (collectively, the “Plaintiffs”); (ii) Defendant Federal National Mortgage Association (“Fannie Mae” or the “Settling Defendant”); and (iii) the Federal Housing Finance Agency (“FHFA”) as Conservator for Fannie Mae (collectively, Lead Plaintiffs, Fannie Mae, and FHFA are referred to herein as the “Settling Parties”).

Daniel H. Mudd (“Mudd”) and Enrico Dallavecchia (“Dallavecchia”) (collectively, the “Non-Settling Individual Defendants”) are named defendants in the Action, but are not Settling Parties (as defined herein) nor parties to this Stipulation, and join only in the release provisions of this Stipulation set forth *infra* in Paragraph 3. Stephen A. Swad, Robert Blakely, and David Hisey (collectively, the “Former Individual Defendants”) were defendants in the Action but in 2009 and/or 2010, the Court granted their separate motions to dismiss and dismissed all claims

against them. Accordingly, the Former Individual Defendants are not parties to this Stipulation or Settling Parties, as defined herein, and join only in the release provisions of this Stipulation set forth *infra* in Paragraph 3. *See also* footnote 2, *infra*.

This Stipulation is intended to fully and finally resolve and settle the securities class action captioned *In re Fannie Mae 2008 Securities Litigation*, Master File No. 08 Civ. 7831 (PAC) (the “Action”), pending in the United States District Court for the Southern District of New York (the “Court”).

Throughout this Stipulation, any capitalized term not immediately defined is defined in accordance with Paragraph 1, below.

THE LITIGATION

A. Beginning in September 2008, multiple securities class action complaints were filed against Fannie Mae, its auditor (Deloitte & Touche LLP), fifteen underwriters (in connection with four preferred stock offerings and one common offering during the Class Period (defined below)),¹ and certain of its officers. These actions were consolidated before the Court as the Consolidated Securities Action (ECF No. 94).

B. The Court appointed Lead Plaintiffs in April 2009 (ECF No. 94), and Lead Plaintiffs filed the Joint Consolidated Amended Class Action Complaint in June 2009 (ECF No. 102). In July 2009, defendants moved to dismiss all claims in the complaint arising under the Securities Act of 1933. In November 2009, in response to those motions to dismiss, the Court dismissed all claims arising under the Securities Act of 1933 and all claims against the Former

¹ Merrill Lynch, Pierce, Fenner & Smith, Inc.; Citigroup Global Markets Inc.; Morgan Stanley & Co. Inc.; UBS Securities LLC; Wachovia Capital Markets, LLC; Wachovia Securities, LLC; Goldman, Sachs & Co.; Banc of America Securities LLC; Barclays Capital Inc.; Deutsche Bank Securities Inc.; Wells Fargo Securities LLC; J.P. Morgan Securities Inc. (n/k/a J.P. Morgan Securities LLC); E* Trade Securities LLC; Bear, Stearns & Co., Inc. (n/k/a J.P. Morgan Securities LLC); and FTN Financial Securities Corp. (collectively, the “Former Underwriter Defendants”).

Underwriter Defendants and one former officer, David Hisey (ECF No. 190). In September 2009, the remaining defendants moved to dismiss all claims arising under the Securities and Exchange Act of 1934 (the “Exchange Act”). In September 2010, in response to those motions, the Court dismissed, in part, certain claims arising under the Exchange Act and all remaining claims against two former officers, Robert Blakely and Stephen Swad, and Deloitte & Touche LLP (ECF No. 228).²

C. In October 2009, the Court granted the motion to intervene filed by FHFA, as conservator for Fannie Mae (ECF No. 180).

D. In July 2011, Lead Plaintiffs moved for class certification (ECF Nos. 298, 301). In December 2011, the Securities and Exchange Commission (“SEC”) filed a civil action against Mudd and Dallavecchia, which is pending before the Court.³ In light of the SEC Action, Lead Plaintiffs requested and were granted leave to amend the complaint (Minute Entry dated Feb. 1, 2012). The motions for class certification were withdrawn, pending refiling at a future date.

E. The operative Second Amended Consolidated Class Action Complaint (the “Complaint”) was filed on March 2, 2012 (ECF No. 349 (redacted); ECF No. 400 (unredacted)) against Fannie Mae, FHFA, as conservator for Fannie Mae, and the Non-Settling Individual Defendants. The Complaint alleged that Fannie Mae and the Non-Settling Individual Defendants publicly issued materially false and misleading statements that artificially inflated the price of Fannie Mae’s securities, in violation of Sections 10(b) and 20(a) of the Exchange Act, and SEC Rule 10b-5 promulgated thereunder, relating to two separate but related areas: (i) risk controls

² The Former Underwriter Defendants and Deloitte & Touche LLP are not parties to this Stipulation or Settling Parties, as defined herein, and join only in the release provisions of this Stipulation set forth *infra* in Paragraph 3.

³ See *SEC v. Mudd*, No. 11 Civ. 9202 (PAC) (S.D.N.Y. filed Dec. 16, 2011) (the “SEC Action”).

relating to Fannie Mae's purchase of certain types of mortgages, including subprime and Alt-A loans and (ii) disclosure regarding Fannie Mae's exposure to subprime and Alt-A loans.

F. The parties have been engaged in fact discovery, with more than 75 million pages of documents produced and 21 fact witnesses deposed to date. Fact discovery was scheduled to conclude in September 2014.

G. After some unsuccessful efforts to settle the Action, including a mediation in May 2011 using the services of former federal district court judge Layn R. Phillips ("Judge Phillips"), a highly experienced mediator with the law firm of Irell & Manella LLP, the Settling Parties agreed to participate in additional mediated settlement discussions. After a mediation on May 29, 2014, and subsequent discussions among counsel and with Judge Phillips, an agreement in principle to settle the Action was reached, which was memorialized in a term sheet signed on July 15, 2014.

NOW THEREFORE, without any concession by Lead Plaintiffs that the Action lacked merit, and without any concession by Settling Defendant of any liability or wrongdoing, merit in the Action, or lack of merit in its defenses, it is hereby **STIPULATED AND AGREED** by and among the Settling Parties to this Stipulation, through their respective counsel, subject to approval by the Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, that, in consideration of the benefits flowing to the Settlement Classes (defined below) and the Settling Parties, the Action and all Released Class Claims and Released Defendant Claims, as defined below, shall be compromised, settled, released, acquitted and dismissed with prejudice, subject to the following terms and conditions:

DEFINITIONS

1. As used in this Stipulation, the terms set forth below shall have the following meanings:

(a) “Action” means the case captioned *In re Fannie Mae 2008 Securities Litigation*, Master File No. 08-7831 (PAC), pending in the United States District Court for the Southern District of New York and all constituent actions consolidated therewith.

(b) “Authorized Claimant” means a Member of the Settlement Classes who submits a proof of claim to the Claims Administrator and whose claim for recovery has been approved by the Court.

(c) “CAFA Notice” means a notice of the proposed Settlement in compliance with the requirements of the Class Action Fairness Act, 28 U.S.C. § 1711, et seq. (“CAFA”), to be served upon the appropriate State official of each State and the Attorney General of the United States.

(d) “Claims Administrator” means the firm approved by the Court, which shall provide notice to the Settlement Classes, process proofs of claims and administer the Settlement payments to Authorized Claimants.

(e) “Class Distribution Order” means an order of the Court approving the Claims Administrator’s administrative determinations concerning the acceptance and rejection of the proofs of claim submitted and approving any fees and expenses not previously applied for, including the outstanding fees and expenses of the Claims Administrator, and directing payment of the Net Settlement Fund to Authorized Claimants.

(f) “Class Period” means the period between November 8, 2006 and September 5, 2008, inclusive.

(g) “Common Stock Class” means all Persons who, during the Class Period, either on the secondary market or through an original offering pursuant to a registration statement or prospectus: (a) purchased or acquired Fannie Mae common stock and/or call options

and/or (b) sold Fannie Mae common stock put options, and were thereby damaged. Excluded from the Common Stock Class are (i) Defendants and Former Defendants; (ii) members of the immediate family of any Non-Settling Individual Defendant or Former Individual Defendant; (iii) any person who was an officer or member of the Board of Directors of Fannie Mae during the Class Period; (iv) any firm, trust, corporation, officer, or other entity in which any Defendant or Former Defendant has or had a controlling interest; and (v) the legal representatives, agents, affiliates, heirs, successors-in-interest, or assigns of any such excluded party. For the avoidance of doubt, “affiliates” are persons or entities that directly, or indirectly through one or more intermediaries, control, are controlled by or are under common control with one of the Defendants or Former Defendants, and include any employee benefit plan organized for the benefit of Fannie Mae’s employees. Former Underwriter Defendants and their affiliates shall be excluded solely with regard to the securities held solely on behalf of, or for the benefit of, their own account(s) (*i.e.*, accounts in which they hold a proprietary interest). Any Investment Vehicle (as defined below) shall not be deemed an excluded person or entity by definition. Also excluded from the Common Stock Class is any Person who submits a valid and timely request for exclusion in accordance with the requirements set forth in the court-approved Notice.

(h) “Common Stock Escrow Account” means an account or accounts maintained at a national banking institution wherein the portion of the Settlement Fund allocable to the Common Stock Class (*i.e.*, \$123.76 million or 72.8% of the Settlement Amount), pursuant to the proposed Plan of Allocation, shall be deposited and held in escrow under the control of Lead Counsel for the Common Stock Class.

(i) “Common Stock Escrow Agents” means Lead Counsel for the Common Stock Class.

(j) “Common Stock Lead Plaintiffs” means PRIM and SBRB.

(k) “Complaint” means the Second Amended Joint Consolidated Class Action Complaint (ECF No. 349, redacted, and ECF No. 400, unredacted).

(l) “Court” means the United States District Court for the Southern District of New York.

(m) “Defendants” means Fannie Mae, FHFA, Mudd, and Dallavecchia.

(n) “Effective Date” with respect to the Settlement means the first date by which all of the events and conditions specified in Paragraph 34 of this Stipulation have been met and have occurred or have been waived.

(o) “Escrow Accounts” means the Common Stock Escrow Account or accounts and the Preferred Stock Escrow Account or accounts.

(p) “Escrow Agents” means the Common Stock Escrow Agents and the Preferred Stock Escrow Agent.

(q) “Fee and Expense Application(s)” means the request(s) by Lead Counsel for the Common Stock Class and Lead Counsel for the Preferred Stock Class for award(s) of attorneys’ fees and payment(s) of expenses incurred in prosecuting this case, including any expenses of Lead Plaintiffs, pursuant to the Private Securities Litigation Reform Act of 1995.

(r) “Final,” with respect to the Judgment or any other court order means the later of: (i) if there is an appeal from the Judgment or order, the date of final affirmance on appeal or dismissal of all such appeals, and the expiration of the time for any further judicial review whether by appeal, reconsideration or a petition for a writ of certiorari and, if a writ of certiorari is granted, the date of final affirmance of the Judgment or order following review pursuant to the grant; or (ii) the expiration of the time provided for the filing or noticing of any

appeal from the Judgment or order under the Federal Rules of Civil Procedure, *i.e.*, thirty (30) days after the Judgment or order is entered on the Court’s docket. Any appeal or proceeding seeking subsequent judicial review pertaining solely to an order issued with respect to (i) attorneys’ fees, costs or expenses, or (ii) any plan of allocation of Settlement proceeds (as submitted or subsequently modified), shall not in any way delay or preclude a judgment from becoming Final.

(s) “Former Defendants” means the Former Underwriter Defendants, the Former Individual Defendants, and Deloitte & Touche LLP.

(t) “Former Individual Defendants” means Stephen Swad, Robert Blakely, and David Hisey.

(u) “Former Underwriter Defendants” means Merrill Lynch, Pierce, Fenner & Smith, Inc.; Citigroup Global Markets Inc.; Morgan Stanley & Co. Inc.; UBS Securities LLC; Wachovia Capital Markets, LLC; Wachovia Securities, LLC; Goldman, Sachs & Co.; Banc of America Securities LLC; Barclays Capital Inc.; Deutsche Bank Securities Inc.; Wells Fargo Securities LLC; J.P. Morgan Securities Inc. (n/k/a J.P. Morgan Securities LLC); E* Trade Securities LLC; Bear, Stearns & Co., Inc. (n/k/a J.P. Morgan Securities LLC); and FTN Financial Securities Corp.

(v) “Non-Settling Individual Defendants” means Mudd and Dallavecchia.

(w) “Investment Vehicle” means any investment company or pooled investment fund, including but not limited to mutual fund families, exchange-traded funds, fund of funds, private equity funds, real estate funds, and hedge funds, in which any Former Underwriter Defendant or any of its affiliates has or may have a direct or indirect interest or as to which any Former Underwriter Defendant or any of its affiliates may act as an investment

advisor, general partner, managing member, or other similar capacity but in which the Former Underwriter Defendant or any of its respective affiliates is not a majority owner or does not hold a majority beneficial interest.

(x) “Judgment” means the judgment to be entered by the Court approving the Settlement, substantially in the form attached hereto as Exhibit B.

(y) “Lead Counsel” means Lead Counsel for the Common Stock Class and Lead Counsel for the Preferred Stock Class.

(z) “Lead Counsel for the Common Stock Class” means the law firms of Labaton Sucharow LLP and Berman DeValerio.

(aa) “Lead Counsel for the Preferred Stock Class” means the law firm of Kaplan Fox & Kilsheimer LLP.

(bb) “Lead Plaintiffs” mean PRIM, SBRB, and TCRS.

(cc) “Member(s) of the Settlement Classes” means any Person who is a member of the Common Stock Class and/or the Preferred Stock Class, and is not excluded therefrom.

(dd) “Net Settlement Fund” means the Settlement Fund less (i) Court awarded attorneys’ fees and expenses in the Action; (ii) Notice and Administration Expenses; (iii) any Taxes; and (iv) any other fees or expenses approved by the Court.

(ee) “Notice” means the notice of the proposed Settlement, releases, Plan of Allocation, and attorneys’ fees and expense applications relating to the Action that is to be sent to Members of the Settlement Classes, substantially in the form attached as Exhibit 1 to Exhibit A hereto.

(ff) “Notice and Administration Expenses” means all reasonable and necessary costs, fees, and expenses incurred in connection with providing notice to the Settlement Classes and the administration of the Settlement, including but not limited to: (i) providing notice of the proposed Settlement by mail, publication, and other means to Members of the Settlement Classes; (ii) receiving and reviewing claims; (iii) applying the Plan of Allocation; (iv) communicating with Persons regarding the proposed Settlement and claims administration process; (v) distributing the proceeds of the Settlement; and (vi) fees related to the Escrow Accounts and investment of the Settlement Fund.

(gg) “Parties” and “Parties in the Action” mean Lead Plaintiffs, Fannie Mae, FHFA, and the Non-Settling Individual Defendants.

(hh) “Person” means any natural person or legal entity.

(ii) “Plan of Allocation” means the plan of allocation approved by the Court for allocating the Net Settlement Fund among Authorized Claimants.

(jj) “Preferred Stock Class” means all Persons who, during the Class Period, either on the secondary market or through an original offering pursuant to a registration statement or prospectus purchased or acquired Fannie Mae preferred stock, and were thereby damaged. Excluded from the Preferred Stock Class are (i) Defendants and Former Defendants; (ii) members of the immediate family of any Non-Settling Individual Defendant or Former Individual Defendant; (iii) any person who was an officer or member of the Board of Directors of Fannie Mae during the Class Period; (iv) any firm, trust, corporation, officer, or other entity in which any Defendant or Former Defendant has or had a controlling interest; and (v) the legal representatives, agents, affiliates, heirs, successors-in-interest, or assigns of any such excluded party. For the avoidance of doubt, “affiliates” are persons or entities that directly, or indirectly

through one or more intermediaries, control, are controlled by or are under common control with one of the Defendants or Former Defendants, and include any employee benefit plan organized for the benefit of Fannie Mae's employees. Former Underwriter Defendants and their affiliates shall be excluded solely with regard to the securities held solely on behalf of, or for the benefit of, their own account(s) (*i.e.*, accounts in which they hold a proprietary interest). Any Investment Vehicle (as defined above) shall not be deemed an excluded person or entity by definition. Also excluded from the Preferred Stock Class is any Person who submits a valid and timely request for exclusion in accordance with the requirements set forth in the court-approved Notice.

(kk) "Preferred Stock Escrow Account" means an account or accounts maintained at a national banking institution wherein the portion of the Settlement Fund allocable to the Preferred Stock Class (*i.e.*, \$46.24 million or 27.2% of the Settlement Amount), pursuant to the proposed Plan of Allocation, shall be deposited and held in escrow under the control of Lead Counsel for the Preferred Stock Class.

(ll) "Preferred Stock Escrow Agent" means Lead Counsel for the Preferred Stock Class.

(mm) "Preferred Stock Lead Plaintiff" means TCRS.

(nn) "Preliminary Approval Order" means the order preliminarily approving the Settlement and directing that the notice be sent to the Settlement Classes, substantially in the form attached hereto as Exhibit A.

(oo) "Proof of Claim" means the form, including the release of the Released Class Claims, upon which the Members of the Settlement Classes may make a claim seeking a

distribution from the Net Settlement Fund, substantially in the form attached as Exhibit 3 to Exhibit A hereto.

(pp) “Released Class Claims” means any and all claims by Lead Plaintiffs and Members of the Settlement Classes released pursuant to Paragraph 3, below.

(qq) “Released Defendant Claims” shall mean the claims released by the Settling Defendant, FHFA, and the other Released Defendant Parties, as set forth in Paragraph 3, below.

(rr) “Released Defendant Parties” means the Settling Defendant; FHFA; the Non-Settling Individual Defendants; Stephen A. Swad; Robert Blakely; David Hisey; Deloitte & Touche LLP; all former underwriters of Fannie Mae’s stock, including Banc of America Securities LLC, Barclays Capital Inc., Bear, Stearns & Co., Inc. (n/k/a J.P. Morgan Securities LLC), Citigroup Global Markets Inc., Deutsche Bank Securities, Inc., E*Trade Securities LLC, FTN Financial Securities Corp., Goldman, Sachs & Co., J.P. Morgan Securities, Inc. (n/k/a J.P. Morgan Securities LLC), J.P. Morgan Chase & Co., Merrill Lynch, Pierce, Fenner & Smith Inc., Morgan Stanley & Co. Inc., UBS Securities LLC, Wachovia Capital Markets, LLC, Wachovia Securities, LLC, and Wells Fargo Securities LLC; and other related individuals and entities as set forth in Paragraph 3(a), below.

(ss) “Released Plaintiff Parties” means each and every Member of the Settlement Classes, Lead Plaintiffs, Lead Counsel, and each of their respective past or present trustees, officers, directors, partners, employees, contractors, auditors, principals, agents, attorneys, predecessors, successors, assigns, parents, subsidiaries, general or limited partners or partnerships, and limited liability companies; and the spouses, members of the immediate families, representatives, and heirs of any Released Plaintiff Party who is an individual.

Released Plaintiff Parties does not include any Person who timely and validly seeks exclusion from the Settlement Classes.

(tt) “Settlement” means the resolution of the Action in accordance with the terms and provisions in this Stipulation.

(uu) “Settlement Amount” means the total principal amount of \$170,000,000 (with \$123.76 million, or 72.8% of the Settlement Amount, allocated to the Common Stock Class and \$46.24 million, or 27.2% of the Settlement Amount, allocated to the Preferred Stock Class).

(vv) “Settlement Classes” means the Common Stock Class and the Preferred Stock Class.

(ww) “Settlement Fund” means the \$170,000,000 Settlement Amount to be paid in cash by or on behalf of Fannie Mae, together with any interest earned thereon.

(xx) “Settlement Hearing” means the hearing on final approval of Settlement, which is to be held by the Court to consider the fairness, reasonableness, and adequacy of the proposed Settlement, the proposed Plan of Allocation, and Lead Counsel’s Fee and Expense Application(s).

(yy) “Settling Defendant” means Fannie Mae.

(zz) “Settling Party(ies)” means Lead Plaintiffs, Fannie Mae, and FHFA.

(aaa) “Stipulation” means this Stipulation and Agreement of Settlement.

(bbb) “Summary Notice” means the summary notice of the Settlement and the Settlement Hearing, intended for publication once in *The Wall Street Journal*, or similar national business-oriented publication, and over the PR Newswire, or similar national business-oriented

newswire, or as otherwise ordered by the Court, substantially in the form attached as Exhibit 2 to Exhibit A hereto.

(ccc) “Taxes” means all taxes on the income of the Settlement Fund and expenses and costs incurred in connection with the taxation of the Settlement Fund (including, without limitation, expenses of tax attorneys and accountants).

(ddd) “Unknown Claims” means any Released Class Claim that any Plaintiff does not know or suspect to exist in his, her, its, or their favor at the time of the release of the Released Defendant Parties, and any Released Defendant Claims that any of the Released Defendant Parties do not know or suspect to exist in his, her, its, or their favor at the time of the release of the Released Plaintiff Parties, which, if known by him, her, it, or them might have affected his, her, its, or their settlement with and release of the Released Defendant Parties or Released Plaintiff Parties, or might have affected his, her, its, or their decision not to object to this Settlement or request exclusion from the Settlement Classes. With respect to any and all Released Class Claims or Released Defendant Claims, the Settling Parties and Released Defendant Parties, stipulate and agree that they shall be deemed to have expressly waived, and each other Member of the Settlement Classes shall be deemed to have, and by operation of the Judgment shall have, waived the provisions, rights and benefits of California Civil Code § 1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The Settling Parties and Released Defendant Parties stipulate and agree that, upon the Effective Date, they shall expressly, and each other Member of the Settlement Classes shall be deemed to

have, and by operation of the Judgment shall have, to the fullest extent permitted by law, expressly waived and relinquished any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code § 1542. Any Plaintiff or Released Defendant Party may hereafter discover facts in addition to or different from those that he, she, it or they now know or believe to exist or to be true with respect to the subject matter of the Released Class Claims or Released Defendant Claims, but the Plaintiffs shall have fully, finally, and forever settled and released any and all Released Class Claims, and the Released Defendant Parties shall have fully, finally, and forever settled and released any and all Released Defendant Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Settling Parties and the Released Defendant Parties acknowledge, and other Members of the Settlement Classes by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Released Class Claims and Released Defendant Claims was separately bargained for and was a key element of the Settlement.

THE SETTLEMENT CONSIDERATION

2. In full and final settlement of the claims that were asserted or could have been asserted in the Action against Settling Defendant, FHFA, and/or any director, officer, partner, principal or employee thereof, and in consideration of the releases specified below, Settling Defendant shall pay, within ten (10) business days after entry of the Preliminary Approval Order, a total of \$170,000,000 in cash into the Settlement Fund for the benefit of the Settlement Classes

and to pay the attorneys' fees and expenses described in Paragraphs 21-24 of this Stipulation. Settling Defendant will not be responsible for payment to Lead Plaintiffs or the Settlement Classes of any other amount in connection with the Settlement of the Action in excess of \$170,000,000. The Settlement Amount will be paid by or on behalf of Fannie Mae.

RELEASES AND JUDGMENT

3. The Lead Plaintiffs, the Settling Defendant, FHFA, and the Released Defendant Parties agree to the following:

a. Upon the Effective Date of the Settlement, Lead Plaintiffs and each Member of the Settlement Classes shall be deemed to have released and forever discharged Fannie Mae; FHFA; Mudd; Dallavecchia; dismissed defendants Stephen A. Swad, Robert Blakely, David Hisey, and Deloitte & Touche LLP; all former underwriters of Fannie Mae's stock, including Banc of America Securities LLC, Barclays Capital Inc., Bear, Stearns & Co., Inc. (n/k/a J.P. Morgan Securities LLC), Citigroup Global Markets Inc., Deutsche Bank Securities, Inc., E*Trade Securities LLC, FTN Financial Securities Corp., Goldman, Sachs & Co., J.P. Morgan Securities, Inc. (n/k/a J.P. Morgan Securities LLC), J.P. Morgan Chase & Co., Merrill Lynch, Pierce, Fenner & Smith Inc., Morgan Stanley & Co. Inc., UBS Securities LLC, Wachovia Capital Markets, LLC, Wachovia Securities, LLC, and Wells Fargo Securities LLC; and their respective present and former parents, affiliates, conservators, and subsidiaries, and their divisions, partners, employees, officers, directors, attorneys, accountants, underwriters, insurers, agents, predecessors, heirs, successors, and assigns (collectively "Released Defendant Parties") from any and all claims, demands, rights, liabilities and causes of action of every nature and description whatsoever, whether known or unknown, concealed or hidden, accrued or not accrued, foreseen or unforeseen, matured or not matured, that were asserted or that could have been asserted directly, indirectly, representatively or in any other capacity, at any time, in any

forum by Lead Plaintiffs or any Member of the Settlement Classes against the Released Defendant Parties arising out of, based upon, or related in any way to: (a) the purchase or acquisition of Fannie Mae common stock, preferred stock, or call options, or the sale or disposition of Fannie Mae put options, during the “Class Period”, the allegations that were made or could have been made in the Action and any of the facts, transactions, events, occurrences, disclosures, public filings, registration statements, financial statements, audit opinions, statements, acts, omissions, or failures to act which were or that could have been asserted in the Action; or (b) the settlement or resolution of the Action (the “Released Class Claims”).

However, nothing herein is meant to release the claims asserted in *In Re: 2008 Fannie Mae ERISA Litigation*, No. 09-cv-01350-PAC (S.D.N.Y.); *Comprehensive Investment Services, Inc., v. Fannie Mae, et al.*, No. 08-cv-07831-PAC (S.D.N.Y.); *Smith v. Federal National Mortgage Assoc., et al.*, No. 10-cv-02781-PAC (S.D.N.Y.); *Washington Federal, et al. v. United States*, No. 13-cv-0385-MMS (Ct. Fed. Cl.); *Rafter, et al. v. United States, et al.*, No. 14-00740-MMS (Ct. Fed. Cl.) and No. 14-cv-01404-RCL (D.D.C.); *Fairholme Funds Inc. et al. v. United States, et al.*, No. 13-cv-00465-MMS (Ct. Fed. Cl.) and No. 13-cv-01053-RCL (D.D.C.); *Arrowood Indemnity Co., et al. v. Federal National Mortgage Association, et al.*, No. 13-cv-00698-MMS (Ct. Fed. Cl.) and No. 13-cv-1439-RLW (D.D.C.); *Cacciapelle, et al. v. Federal National Mortgage Association, et al.*, No. 13-cv-01149-RLW (D.D.C) and No. 13-cv-00466-MMS (Ct. Fed. Cl.); *Fisher, et al. v. United States, et al.*, No. 13-cv-00608-MMS (Ct. Fed. Cl.); *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations*, No. 13-mc-01288-RLW (D.D.C.); *Perry Capital LLC v. Lew et al.*, No. 13-cv-01025-RLW (D.D.C.); *Liao, et al. v. Lew, et al.*, No. 13-cv-01094-RCL (D.D.C); *Continental Western Insurance Company v. The Federal Housing Finance Agency, et al.*, No. 14-cv-00042 (S.D.

Iowa); *American-European Ins. Co. v. United States, et al.*, No. 13-496-MMS (Ct. Fed. Cl.) and No. 13-1169-RLW (D.D.C.); *John Cane v. Federal Housing Finance Agency, et al.*, No. 13-1184-RLW (D.D.C.); *Francis J. Dennis v. United States, et al.*, No. 13-542-MMS (Ct. Fed. Cl.) and No. 13-1208-RLW (D.D.C.); *Erick Shipmon v. United States, et al.*, No. 13-672-MMS (Ct. Fed. Cl.); *Marneu Holdings, Co., et al. v. Federal Housing Finance Agency, et al.*, No. 13-1421-RLW (D.D.C.); *Gail C. Sweeney Estate Marital Trust v. Treasury, et al.*, No. 13-206 (D.D.C.); or claims to enforce the Settlement. Released Class Claims shall also include any Unknown Claims.

b. Upon the Effective Date of the Settlement, Fannie Mae, FHFA, and the other Released Defendant Parties, shall be deemed to have released and forever discharged the Released Plaintiff Parties; each other; FHFA's predecessor, OFHEO; their respective present and former parents, subsidiaries, divisions, affiliates, partners, principals, employees, officers, attorneys, accountants, agents and directors, and their respective predecessors, heirs, successors and assigns, from any and all claims, demands, rights, liabilities and causes of action of every nature and description whatsoever, including without limitation, claims for negligence, gross negligence, constructive or actual fraud, negligent misrepresentation, conspiracy, or breach of fiduciary duty, whether based in law or equity, on federal, state, local, foreign, statutory or common law, or any other law, rule, or regulation, known and unknown, whether or not concealed or hidden, accrued or not accrued, foreseen or unforeseen, matured or not matured, that were asserted or that could have been asserted directly, indirectly, representatively or in any other capacity, at any time, in any forum relating to the institution, prosecution, settlement, and/or resolution of the Action (the "Released Defendant Claims"). Released Defendant Claims shall also include any Unknown Claims. However, nothing herein is meant to release claims (1)

for indemnification or advancement of legal fees and expenses among or between the Released Defendant Parties or (2) to enforce the Settlement.

c. The Judgment shall contain provisions that are substantially similar to the following paragraphs:

(i) Bar Order: In accordance with 15 U.S.C. § 78u-4(f)(7)(A), any and all claims for contribution or indemnity (and related claims where the injury to the Person bringing the claim is their liability to the Settlement Classes) arising out of the claims or allegations of the Action or any Released Class Claim (i) by any Person against any of the Released Defendant Parties, and (ii) by any of the Released Defendant Parties against any Person, other than a Person whose liability has been extinguished by the Settlement, are hereby permanently barred, extinguished, discharged, satisfied, and unenforceable; provided, however, that nothing in this paragraph shall release or alter any rights to indemnity or contribution by or among the Former Underwriter Defendants or between the Former Underwriter Defendants, on the one hand, and Fannie Mae, on the other hand, including the contractual rights, if any, (i) under any applicable Agreement Among Underwriters relating to any offering of securities by Fannie Mae, or (ii) under any applicable Underwriting Agreements with respect to any right of indemnification or reimbursement of defense costs, which claims as between the Former Underwriter Defendants and Fannie Mae are not barred, released or discharged by the Judgment.

(ii) If the Judgment fails to include the Bar Order or if appellate review of the Bar Order is sought and on such review the Bar Order is vacated, modified or reversed, then the Settling Defendant shall have the right to terminate the Settlement.

d. Without admitting or denying liability, the Settling Parties agree that, based upon publicly available information at the time, the Action was filed in good faith, was not

frivolous and is being settled voluntarily after consultation with competent legal counsel. The Settling Parties agree not to oppose a finding in the Judgment that during the course of the Action, the Settling Parties and their respective counsel at all times complied with each of the requirements of Rule 11 of the Federal Rules of Civil Procedure (“Rule 11”).

e. The orders of the Court in favor of the Former Defendants and dismissing all claims against them are unaffected by this Stipulation and will remain fully in force.

4. The satisfaction of the obligations incurred pursuant to this Stipulation shall be in full and final disposition of the Action and any and all Released Class Claims and Released Defendant Claims. Lead Plaintiffs expressly waive any appeal rights as to the claims dismissed in the Court’s orders in November 2009 (ECF No. 190) and September 2010 (ECF No. 228) (although nothing in this Stipulation shall constitute a waiver of any of Lead Plaintiffs’ appeal rights related to the Fee and Expense Application(s)).

5. Upon the Effective Date, Lead Plaintiffs and each Member of the Settlement Classes shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever waived, released, relinquished, discharged, and dismissed each and every one of the Released Class Claims against each and every one of the Released Defendant Parties, whether or not such Member of the Settlement Classes executes and delivers a Proof of Claim, and whether or not such Member of the Settlement Classes shares in the Settlement Fund.

6. The Proof of Claim to be executed by Members of the Settlement Classes shall release all Released Class Claims against the Released Defendant Parties and shall be substantially in the form contained in Exhibit 3 to Exhibit A attached hereto.

PRELIMINARY AND FINAL COURT APPROVAL

7. Promptly after execution of this Stipulation, Lead Plaintiffs shall apply to the Court for entry of the Preliminary Approval Order, substantially in the form of Exhibit A

attached hereto, requesting, among other things, the preliminary approval of the Settlement set forth in the Stipulation, and approval for the mailing of the Notice and publication of a Summary Notice, substantially in the forms of Exhibits A-1 and A-2 attached hereto. The Settling Parties shall use their best efforts to obtain Court approval of the Settlement and to encourage all Members of the Settlement Classes to participate in the Settlement.

8. This Stipulation settling the Action will not be finalized or submitted to the Court for approval without the consent of and execution by Lead Plaintiffs, the Settling Defendant, and FHFA.

9. Lead Counsel shall request that, after notice is given, the Court hold the Settlement Hearing to consider and determine whether to approve the Settlement pursuant to the terms of the Stipulation as fair, reasonable, and adequate, and whether the Judgment, substantially in the form of Exhibit B attached hereto, should be entered approving the Settlement as set forth herein and dismissing the Action with prejudice. At or after the Settlement Hearing, Lead Counsel will also request that the Court approve the proposed Plan of Allocation and the Fee and Expense Application(s).

10. Promptly upon entry of the Preliminary Approval Order, Fannie Mae shall provide or cause to be provided to the Claims Administrator, any shareholder lists that Fannie Mae possesses as appropriate for providing notice to the Settlement Classes of this Settlement. Lead Counsel shall cause the Claims Administrator to mail the Notice and Proof of Claim form to Members of the Settlement Classes at their addresses as set forth in any shareholder lists provided by Fannie Mae or as provided by nominee owners. Lead Counsel will also cause the Summary Notice of the proposed Settlement to be published in *The Wall Street Journal*, or similar national business-oriented publication, and over PR Newswire, or a similar national

business-oriented newswire, or as otherwise ordered by the Court. Lead Counsel shall be responsible for overseeing the portion of the Notice provided to the Settlement Classes about the Settlement of the Action. Other than Fannie Mae's obligation to provide the appropriate shareholder lists referenced above, the Settling Defendant, FHFA, and the Non-Settling Individual Defendants shall have no responsibility for providing notice of the Settlement to the Settlement Classes.

11. Within ten (10) calendar days following the filing of this Stipulation with the Court, the Claims Administrator on behalf of the Settling Defendant, FHFA, and the Released Defendant Parties, shall, under the direction of counsel for the Settling Defendant, cause to be served upon the appropriate State official of each State and the Attorney General of the United States the CAFA Notice, which shall be provided by counsel for the Settling Defendant. The Claims Administrator shall promptly notice all Settling Parties upon service of the CAFA Notice. All fees and expenses incurred in connection with the preparation and service of the CAFA Notice shall be borne by Settling Defendant and under no circumstances will be borne by the Non-Settling Individual Defendants, FHFA, Lead Counsel, Lead Plaintiffs, or the Settlement Classes, and will not be payable from the Settlement Fund.

12. After entry of the Preliminary Approval Order and after the Notice is given to the Settlement Classes and Members of the Settlement Classes have had the opportunity described in the Notice to object to the Settlement or request exclusion from the Settlement Classes, the Settling Parties shall promptly jointly request that the Court enter the Judgment.

USE AND ADMINISTRATION OF SETTLEMENT FUND

13. Except as otherwise provided herein, the Settlement Fund shall remain in escrow until the Effective Date. The Settlement Fund shall be deemed to be in the custody of the Court

and shall remain subject to the jurisdiction of the Court until such time as the funds shall be distributed or returned pursuant to the terms of this Stipulation and/or order of the Court.

14. The Settlement Fund shall be used to pay: (i) any Taxes; (ii) Notice and Administration Expenses, (iii) Lead Plaintiffs' mediation expenses; (iv) any attorneys' fees and expenses, including the expenses (or lost wages) of Lead Plaintiffs, awarded by the Court; (v) any claims of Authorized Claimants determined valid for payment; and (vi) any other expenses and fees ordered by the Court.

15. The Escrow Agents shall invest the monies in the Settlement Fund in United States Treasury Bills or United States Treasury Notes and collect and reinvest all interest accrued thereon in similar instruments, except that any residual cash balances may be invested in money market mutual funds comprised exclusively of investments secured by the full faith and credit of the United States. The Settling Parties agree that the Settlement Fund is intended to be a Qualified Settlement Fund within the meaning of Treasury Regulation §1.468B-1 and that Lead Counsel, as administrator of the Settlement Fund within the meaning of Treasury Regulation § 1.468B-2(k)(3), shall be responsible for causing the filing of tax returns for the Settlement Fund and causing the payment from the Settlement Fund of any Taxes owed with respect to the Settlement Fund. Fannie Mae agrees to provide promptly to Lead Counsel the statement described in Treasury Regulation §1.468B-3(e).

16. All Taxes shall be paid out of the Settlement Fund, shall be properly reserved and shall be timely paid by the Escrow Agents without prior Order of the Court. Any tax returns prepared for the Settlement Fund (as well as the election set forth therein) shall reflect that all Taxes (including any interest or penalties) on the income earned by the Settlement Fund shall be paid out of the Settlement Fund as provided herein. The Settlement Fund shall indemnify and

hold Fannie Mae harmless for Taxes, if any, payable by Fannie Mae by reason of the income earned on the Settlement Fund; and Lead Counsel shall cause such reserves as shall be necessary to cover such indemnity. Fannie Mae shall notify the Escrow Agents promptly if it receives any notice of any claim for Taxes relating to the Settlement Fund.

17. This is not a claims-made settlement. As of the Effective Date, the Settling Defendant shall not have any right to the return of the Settlement Fund or any portion thereof irrespective of the number of Proofs of Claims filed, the collective amount of losses of Authorized Claimants, the percentage of recovery of losses, or the amounts to be paid to Authorized Claimants from the Net Settlement Fund. If, after the initial and any subsequent distributions to Authorized Claimants in accordance with the Plan of Allocation, there remains a *de minimis* balance in the Settlement Fund such that an additional distribution is not economically feasible, the remaining *de minimis* balance will be paid as a charitable donation to a not-for-profit charity approved by the Court.

18. Prior to the Effective Date and without further order of the Court, Lead Counsel may expend up to \$2,000,000 from the Settlement Fund to pay the Notice and Administration Expenses actually incurred, which shall be apportioned equally between the Common Stock Class and the Preferred Stock Class. In the event the Settlement is not fully consummated, funds from the Settlement Fund used for these purposes shall not be returned or repaid to the Settling Defendant or any other person or entity paying settlement monies on behalf of the Settling Defendant. After the Effective Date, Notice and Administration Expenses may be paid as incurred and apportioned equally between the Common Stock Class and the Preferred Stock Class.

19. None of the Settling Defendant, the Non-Settling Individual Defendants, or FHFA will be liable for (i) Taxes owed, if any, by the Settlement Fund, (ii) the acts of omissions of the Escrow Agents or the Claims Administrator, (iii) the acts or omissions of Lead Counsel in administering the Settlement Fund, or (iv) the management, administration or investment of the Settlement Fund.

20. No Person shall have any claim against the Lead Plaintiffs, Lead Counsel, the Claims Administrator, or any other Person designated by Lead Plaintiffs or Lead Counsel, based on determinations or distributions made substantially in accordance with the Stipulation and Settlement contained herein, the Plan of Allocation, or further order(s) of the Court.

ATTORNEYS' FEES AND EXPENSES

21. Lead Counsel for the Common Stock Class and Lead Counsel for the Preferred Stock Class shall submit the Fee and Expense Application(s), which will contain requests for award(s) of attorneys' fees and payment(s) of expenses to be distributed from the Settlement Fund, including Lead Plaintiffs' reasonable costs and expenses (including lost wages) directly relating to the representation of the classes. The Settling Defendant and FHFA have made no agreement with Lead Counsel for the Common Stock Class and Lead Counsel for the Preferred Stock Class regarding the Fee and Expense Application(s).

22. Any attorneys' fees and expenses awarded by the Court to Lead Counsel for the Common Stock Class and Lead Counsel for the Preferred Stock Class, including interest thereon (as provided in Paragraph 15 of this Stipulation), shall be paid from the Settlement Fund to Lead Counsel for the Common Stock Class and Lead Counsel for the Preferred Stock Class immediately upon entry of an order awarding such fees and expenses, notwithstanding the existence of any timely filed objections thereto or to the Settlement, or potential for appeal therefrom, or collateral attack on the Settlement or any part thereof.

23. Any payment of attorneys' fees and expenses pursuant to Paragraph 22 above shall be subject to each of the three Lead Counsel law firms' several obligations to make refunds or repayments to the Settlement Fund of the amounts withdrawn from the Settlement Fund, by their respective law firm, prior to the Effective Date, plus accrued earnings at the same net rate as is earned by the Settlement Fund, if the Settlement is terminated pursuant to the terms of this Stipulation or fails to become effective for any reason or if, as a result of any appeal or further proceedings on remand, or successful collateral attack, the award of attorneys' fees and/or expenses is reduced or reversed by Final non-appealable court order. Lead Counsel shall make the appropriate refund or repayment in full no later than ten (10) business days after receiving notice from a court of appropriate jurisdiction of the termination of the Settlement or notice of any reduction or reversal of the award(s) of attorneys' fees and/or expenses by Final non-appealable court order.

24. Any order of the Court or any appellate court with respect to the application(s) for or award(s) of attorneys' fees and expenses to Lead Counsel shall not operate to terminate the Settlement or affect or delay the finality of the Judgment. Settling Defendant, FHFA, and the Non-Settling Individual Defendants have no responsibility or liability for the payment or allocation of attorneys' fees and expenses.

ADMINISTRATION OF THE SETTLEMENT

25. Lead Counsel shall be solely responsible for designating the Claims Administrator, subject to approval by the Court. The Claims Administrator shall administer the Settlement under the supervision of the Lead Counsel and the Court. The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's recognized loss (as defined in the Plan of Allocation).

26. If the Judgment otherwise becomes Final, the Plan of Allocation is not a necessary term of this Stipulation, and it is not a condition of this Stipulation that any particular plan of allocation be approved by the Court. This Stipulation and the Settlement cannot be terminated based on this Court's or any appellate court's ruling with respect to any Plan of Allocation in the Action. The Settling Defendant and FHFA take no position with respect to any proposed or approved Plan of Allocation; such Plan of Allocation is a matter separate and apart from the proposed Settlement, and any decision by the Court concerning the Plan of Allocation shall not affect the validity or finality of the proposed Settlement.

27. Lead Counsel shall be responsible for supervising the administration of the Settlement and disbursement of the Net Settlement Fund by the Claims Administrator. Except for the Notice and Administration Expenses (which shall be payable solely from the Settlement Fund), Settling Defendant, FHFA, and the Non-Settling Individual Defendants shall have no liability, obligation or responsibility for the administration of the Settlement, the allocation of the Settlement proceeds or the reviewing or challenging of claims of Members of the Settlement Classes. The allocation of the Net Settlement Fund among the Members of the Settlement Classes shall be subject to the Plan of Allocation.

28. For purposes of determining the extent, if any, to which a Member of the Settlement Classes shall be entitled to be treated as an Authorized Claimant, the following conditions shall apply:

a. Each Member of the Settlement Classes shall be required to submit a Proof of Claim, signed under penalty of perjury, and supported by such documents as are designated therein, including proof of the claimant's loss or such other documents or proof as Lead Counsel, in their discretion, may deem acceptable, subject to the approval of the Court.

b. All Proofs of Claims must be submitted by the date specified unless such period is extended by order of the Court. Any Member of the Settlement Classes who fails to submit a Proof of Claim by such date shall be forever barred from receiving any payment pursuant to this Stipulation (unless, by order of the Court, a later submitted Proof of Claim by such Member of the Settlement Classes is approved). A Proof of Claim shall be deemed to be submitted when posted, if received with a postmark indicated on the envelope dated on or before the date specified in the Notice and if mailed first-class postage prepaid and addressed in accordance with the instructions thereon. In all other cases, the Proof of Claim shall be deemed to have been submitted when actually received by the Claims Administrator.

c. The Claims Administrator shall review each Proof of Claim and determine, in accordance with this Stipulation and Plan of Allocation, the extent, if any, to which each claim shall be allowed, subject to final approval by the Court.

d. Proofs of Claims that do not meet the submission requirements may be rejected. The Claims Administrator shall notify, in a timely fashion and in writing, all claimants whose Proofs of Claims it proposes to reject in whole or in part, setting forth the reasons therefore, and shall indicate in such notice that the claimant has the right to a review by the Court if the claimant so desires and if the claimant complies with the requirements of Subparagraph (e) below.

e. If any claimant who is notified by the Claims Administrator that the Claims Administrator proposes that his, her or its claim be rejected in whole or in part desires to contest such rejection, such claimant must, within twenty (20) calendar days after the date of mailing of the notice required in Subparagraph (d) above in the case of timely claims, and such lesser period as may be reasonable for untimely claims, serve upon the Claims Administrator a

notice and statement of reasons indicating the claimant's grounds for contesting the rejection along with any supporting documentation, and requesting a review thereof by the Court. If a claimant provides this required notice of the claimant's desire to contest the rejection and the dispute concerning a claim cannot be otherwise resolved, Lead Counsel shall thereafter present the request for review to the Court.

29. After the Effective Date, Lead Counsel will apply to the Court for entry of a Class Distribution Order approving the Claims Administrator's administrative determinations concerning the acceptance and rejection of the claims submitted herein, approving any fees and expenses not previously applied for, including the outstanding fees and expenses of the Claims Administrator, and directing the payment of the Net Settlement Fund to Authorized Claimants.

30. Each claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to the claimant's claim, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to the claimant's status as a Member of the Settlement Classes and the validity and amount of the claimant's claim. In connection with processing of the Proofs of Claim, no discovery shall be allowed on the merits of the Action or of the Settlement. All costs of any such discovery shall be paid solely from the Settlement Fund, and Settling Defendant, FHFA, and the Non-Settling Individual Defendants shall not be responsible for any costs associated with such discovery.

31. The Net Settlement Fund shall be distributed to Authorized Claimants by the Claims Administrator only after the Effective Date and, unless otherwise ordered by the Court, after: (i) all timely claims have been processed, and all claimants whose claims have been rejected or disallowed, in whole or in part, have been notified and provided the opportunity to be

heard concerning such rejection or disallowance; (ii) all unresolved objections with respect to all rejected or disallowed claims have been resolved by the Court; (iii) all matters with respect to attorneys' fees, costs, and disbursements have been resolved by the Court and all appeals therefrom have been resolved or the time therefore has expired; and (iv) all Notice and Administration Expenses, Taxes, and other costs approved by the Court have been paid.

32. Payment pursuant to this Stipulation and Plan of Allocation shall be deemed final and conclusive against all Members of the Settlement Classes. All Members of the Settlement Classes who fail to submit a Proof of Claim and all Members of the Settlement Classes whose claims are not approved by the Court shall be barred from participating in distributions from the Net Settlement Fund, but otherwise shall be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Judgment entered in the Action and the releases provided for herein, and will be barred from bringing any action against the Released Defendant Parties concerning the Released Class Claims.

33. All proceedings with respect to the administration, processing and determination of claims described in this Stipulation and the determination of all controversies relating thereto, including disputed question of law and fact with respect to the validity of claims, shall be subject to the jurisdiction of the Court.

EFFECTIVE DATE OF SETTLEMENT

34. The Effective Date of this Settlement shall be the first business day on which all of the following shall have occurred or been waived:

(a) entry of the Preliminary Approval Order, which shall be in all material respects substantially in the form set forth in Exhibit A annexed hereto;

(b) payment of the Settlement Amount into the Escrow Accounts;

(c) approval by the Court of the Settlement, following notice to the Settlement Classes and the Settlement Hearing, as prescribed by Rule 23 of the Federal Rules of Civil Procedure; and

(d) a judgment, which shall be in all material respects substantially in the form set forth in Exhibit B annexed hereto, will have been entered by the Court and will have become Final.

TERMINATION

35. The Settling Parties shall have the right to terminate the Settlement and this Stipulation by providing written notice of their election to do so to all other Settling Parties within ten (10) calendar days of: (a) the Court's declining to enter the Preliminary Approval Order in any material respect; (b) the Court's refusal to approve the Stipulation or any material part of it; (c) the Court's declining to enter the Judgment in any material respect; or (d) the date upon which the Judgment is modified or reversed in any material respect by the Court of Appeals or the Supreme Court of the United States. Any order of the Court or any appellate court with respect to the application(s) for or award(s) of attorneys' fees and expenses to Lead Counsel or the Plan of Allocation shall not be grounds for termination.

36. In addition to all of the rights and remedies that Lead Plaintiffs have under the terms of this Stipulation, Lead Plaintiffs shall also have the right to terminate the Settlement in the event that the Settling Defendant does not pay the Settlement Amount in the time period provided for in Paragraph 2 above, by providing written notice of the election to terminate to all other Settling Parties and, thereafter, others fail to pay the Settlement Amount within fourteen (14) calendar days of such written notice.

37. In addition to the grounds set forth in Paragraph 35 above, the Settling Defendant shall have the right to terminate the Settlement and render it null and void in the event that

Members of the Settlement Classes timely and validly requesting exclusion from the Settlement Classes meet the conditions set forth in the Settling Defendant's confidential supplemental agreement with Lead Plaintiffs (the "Supplemental Agreement"), which is being executed concurrently herewith, in accordance with the terms of that agreement. Unless otherwise ordered by the Court, the Supplemental Agreement shall be treated as confidential and shall not be disclosed to any Member of the Settlement Classes or person or entity, other than the Settling Parties' respective counsel, insurers, and conservators, provided those entities or individuals agree to be bound by confidentiality. Nor shall the Supplemental Agreement be filed with the Court, unless a dispute arises as to its term. It may be examined *in camera*, if so requested by the Court (unless otherwise required by court rule or order). If submission of the Supplemental Agreement is required for resolution of a dispute or is otherwise ordered by the Court, Lead Plaintiffs and the Settling Defendant will undertake to have the Supplemental Agreement submitted to the Court *in camera*.

38. If an option to withdraw from and terminate this Stipulation and Settlement arises under any of Paragraphs 35-37 above: (i) neither the Settling Defendant nor Lead Plaintiffs (as the case may be) will be required for any reason or under any circumstance to exercise that option; and (ii) any exercise of that option shall be made in good faith, but in the sole and unfettered discretion of the Settling Defendant or Lead Plaintiffs, as applicable.

39. In the event the Settlement is terminated or fails to become effective for any reason, (i) the Settlement shall be without prejudice and none of its terms shall be effective or enforceable except as specifically provided herein, (ii) the Parties in the Action shall revert to their respective status in the Action as of May 29, 2014, (iii) except as otherwise expressly provided herein, the Parties in the Action shall proceed in all respects as if this Stipulation and

any related orders had not been entered, and (iv) the fact and terms of this Stipulation shall not be admissible in any trial of this action.

40. If the Settlement is terminated pursuant to the terms hereof, the Settlement Fund, together with any interest earned thereon, less any Taxes paid or due with respect to such income, and less any Notice and Administration Expenses actually incurred or paid, shall be returned to the Settling Defendant.

NO ADMISSION OF WRONGDOING

41. The Settling Defendant does not admit any wrongdoing, fault, liability or damage to Plaintiffs, nor does it admit that it engaged in any wrongdoing or that it committed any violation of law. In view, however, of the uncertainty and risk of the outcome of any litigation (especially complex securities litigation), the difficulties and substantial expense and length of time necessary to defend the proceeding—including potentially through trial, post-trial motions and appeals—and to eliminate the burden and expense of further litigation, the Settling Defendant wishes to settle the Action and put the Released Class Claims to rest, finally and forever, without in any way acknowledging any wrongdoing, fault, liability or damage to Plaintiffs.

42. This Stipulation and the terms of the Settlement represent a compromise of disputed claims and the negotiations, discussions, and communications in connection with or leading up to and including the Settlement are not and shall not be construed as admissions or concessions by any of the Settling Parties or Former Defendants, either as to any liability or wrongdoing or as to the merits of any claim or defense. Neither the existence of this Stipulation nor any of its provisions shall be offered or received against or to the prejudice of any Settling Party or its agents in the Action or in any other action, arbitration or proceeding as admissions or concessions of liability or wrongdoing of any nature on the part of the other Settling Party, or as

admissions or concessions concerning the merits of any claim or defense, other than in connection with any action, motion or proceeding to enforce the terms of this Stipulation.

43. The Settling Parties, Released Defendant Parties, and their respective counsel, may file this Stipulation and/or the Judgment in any action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, *collateral estoppel*, release, statute of limitations, statute of repose, good-faith settlement, judgment bar or reduction, or any theory of claim preclusion or issue preclusion or similar defense or counterclaim, or to effectuate any liability protection granted them under any applicable insurance policy. The Settling Parties and Released Defendant Parties may file this Stipulation and/or the Judgment in any action that may be brought to enforce the terms of this Stipulation and/or the Judgment. All Settling Parties submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement.

44. The Settling Parties agree that each, and their respective counsel, has complied fully with the strictures of Rule 11 of the Federal Rules of Civil Procedure and the Judgment will contain a statement to reflect this compliance.

MISCELLANEOUS PROVISIONS

45. All of the Exhibits attached hereto are material and integral parts hereof and are hereby incorporated by reference as though fully set forth herein.

46. Defendant Fannie Mae is in conservatorship, and is entering into this Stipulation and paying its portion of the Settlement Fund with the express approval of its conservator, FHFA. FHFA has approved the Settlement pursuant to the Director's authority under Title 12, United States Code, Section 4617 and 12 C.F.R. § 1237 as a Final Rule published in the Federal Register on June 20, 2011, see *Conservatorship and Receivership*, 76 Fed. Reg. 35,724 (June 20, 2011). In the event of Fannie Mae's receivership or bankruptcy, and the entry of a final order of

a court of competent jurisdiction determining the transfer of money to the Settlement Fund or any portion thereof by or on behalf of Fannie Mae to be a preference, voidable transfer, fraudulent transfer or similar transaction, and any portion thereof is required to be returned, and such amount is not promptly deposited to the Settlement Fund by others, then, at the election of Lead Plaintiffs: (i) the Settling Parties shall jointly move the Court to vacate and set aside the releases given and the Judgment entered pursuant to this Stipulation, which releases and Judgment shall be null and void *ab initio*; and (ii) this Stipulation shall terminate and the Parties will be subject to the provisions set forth in Paragraphs 39-40, above.

47. The Settling Parties intend that the Settlement of the Action be a final and complete resolution of all disputes asserted or which could be asserted by any Parties in the Action in accordance with the terms of the releases contained herein. The Settling Parties agree that the amount paid and the other terms of the Settlement were negotiated at arm's-length in good faith and reflect a settlement that was reached voluntarily after consultation with experienced legal counsel.

48. This Stipulation may not be modified or amended, nor may any of its provisions be waived, except by a writing signed by all Settling Parties or their successors or assigns.

49. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

50. Without affecting the finality of the Judgment entered in accordance with this Stipulation, the Court shall retain jurisdiction with respect to implementation and enforcement of the terms of the Stipulation and Judgment, and the Settling Parties submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement embodied in the Stipulation and Judgment.

51. The waiver by one Settling Party of any breach of this Stipulation by any other Settling Party shall not be deemed a waiver of any other prior or subsequent breach of this Stipulation by the other Party.

52. All agreements made and orders entered during the course of the Action relating to the confidentiality of information shall survive this Stipulation.

53. This Stipulation and its Exhibits, and the Supplemental Agreement contemplated by Paragraph 37, constitute the entire agreement among the Settling Parties concerning the Settlement of the Action, and no representations, warranties, or inducements have been made by any Settling Party concerning this Stipulation and its exhibits other than those contained and memorialized in such documents.

54. This Stipulation may be executed in one or more counterparts, including signature transmitted by facsimile or in PDF format. Each counterpart when so executed shall be deemed to be an original, and all such counterparts together shall constitute the same instrument.

55. This Stipulation shall be binding when signed, but the Settlement shall be effective only on the condition that the Effective Date occurs. This Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling Parties.

56. The construction, interpretation, operation, effect and validity of this Stipulation, and all documents necessary to effectuate it, shall be governed by the internal laws of the State of New York without regard to conflict of laws, except to the extent that federal law requires that federal law govern.

57. This Stipulation shall not be construed more strictly against one Settling Party than another merely by virtue of the fact that it, or any part of it, may have been prepared by

counsel for one of the Settling Parties, it being recognized that it is the result of arm's-length negotiations among the Settling Parties.

58. All counsel and any other person executing this Stipulation and any of the exhibits hereto, or any related settlement documents, warrant and represent that they have the full authority to do so, and that they have the authority to take appropriate action required or permitted to be taken pursuant to the Stipulation to effectuate its terms.

59. The Settling Parties agree that all further proceedings related to the Action shall be stayed during the course of the Settlement proceedings, but shall promptly recommence if the Settlement is not preliminarily or finally approved by the Court or the Settlement does not otherwise become effective.

IN WITNESS WHEREOF, the Settling Parties hereto have caused this Stipulation to be executed by their duly authorized representatives, dated as of October 24, 2014.

with permiss
ARH
Frederic S. Fox

Frederic S. Fox
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IN WITNESS WHEREOF, the Settling Parties hereto have caused this Stipulation to be executed by their duly authorized representatives, dated as of October 24, 2014.



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IN WITNESS WHEREOF, the Settling Parties hereto have caused this Stipulation to be executed by their duly authorized representatives, dated as of October 24, 2014.

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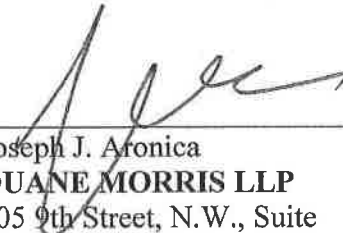
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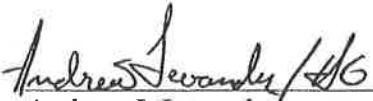
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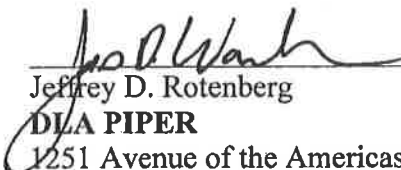
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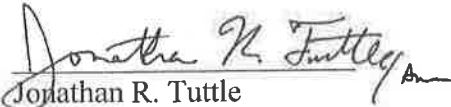
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