

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

In re Federal National Mortgage
Association Securities, Derivative, and
“ERISA” Litigation

MDL No. 1668

THIS DOCUMENT RELATES TO:
In re Fannie Mae Securities Litigation

Consolidated Civil Action
No. 04-1639 (RJL)

NOTICE OF (I) PROPOSED SETTLEMENT AND PLAN OF ALLOCATION; (II) SETTLEMENT FAIRNESS HEARING; AND
(III) MOTION FOR AN AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES

TO: ALL PERSONS AND ENTITIES WHO ARE MEMBERS OF THE CERTIFIED CLASS IN THIS ACTION.
(See definition of the Class set forth in paragraph 1 below).

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

NOTICE OF SETTLEMENT: Please be advised that the Court-appointed Lead Plaintiffs, the Ohio Public Employees Retirement System and the States Teachers Retirement System of Ohio (collectively, “Lead Plaintiffs”), have reached a proposed settlement of the above-captioned securities class action lawsuit (the “Consolidated Action”) for a total of \$153,000,000 (one hundred and fifty-three million dollars) in cash that, if approved, will resolve all claims in the Consolidated Action¹.

PLEASE READ THIS NOTICE CAREFULLY. This Notice explains important rights you may have, including the possible receipt of cash from the Settlement. If you are a Class Member, your legal rights will be affected whether or not you act.

If you have any questions about this Notice, the proposed Settlement, or your eligibility to participate in the Settlement, please DO NOT contact Fannie Mae or its counsel. All questions should be directed to Lead Counsel or the Claims Administrator (see ¶ 82 below).

1. **Description of the Consolidated Action and Class:** This Notice relates to a proposed Settlement of claims in a pending securities class action lawsuit brought by investors alleging, among other things, that the defendants² violated the federal securities laws by making materially false and misleading statements and omissions concerning, among other things, Fannie Mae’s publicly disclosed financial statements and compliance with Generally Accepted Accounting Principles (“GAAP”). The Second Amended Consolidated Class Action Complaint alleges: (i) that on September 22, 2004, Fannie Mae’s regulator, the Office of Federal Housing Enterprise Oversight (“OFHEO”) publicly announced that as a result of an investigation into Fannie Mae’s accounting policies and internal controls, OFHEO concluded that Fannie Mae and the Individuals had misapplied GAAP to distort financial results and “smooth” earnings growth from quarter to quarter; (ii) that the SEC confirmed that Fannie Mae’s accounting practices did not comply with GAAP and advised Fannie Mae to restate its financial statements from 2001 to mid-2004; and (iii) that on December 22, 2004 Fannie Mae announced that it would restate its financial statements from 2001 to mid-2004 by an estimated \$9 billion. As a result of the Settling Defendants’ and Individuals’ actions, Lead Plaintiffs alleged that the Class had incurred damages. The Court certified a class on January 7, 2008. The proposed Settlement, if approved by the United States District Court for the District of Columbia (the “Court”), will settle claims of the following class of persons and entities (the “Class”):

All purchasers of the publicly traded common stock and call options of Fannie Mae, and sellers of Fannie Mae publicly traded put options during the period from April 17, 2001 through December 22, 2004 (the “Class Period”) who suffered damages thereby (the “Class”). Excluded from the Class are (i) the Settling Defendants, and the Individuals, who were previously dismissed from the case, (ii) any person who was an officer or director of Fannie Mae or any of its parents or subsidiaries during the Class Period, (iii) the members of the immediate family of each of the Individuals (iv) any entity in which any Settling Defendant or Individual had a controlling interest during the Class Period, (v) any parent or subsidiary of Fannie Mae, (vi) any incentive, retirement, stock or other benefit plan that benefited solely the Individuals, and (vii) the legal representatives, heirs, predecessors, successors or assigns of any of the foregoing excluded persons and entities.

Also excluded from the Class are any Persons who submitted a request for exclusion in connection with the previously mailed Notice of Pendency of Class Action (the “Class Notice”) as set forth on Exhibit D to the Stipulation who do not opt-back into the Class (see ¶¶ 66-69 below).

¹ All capitalized terms used in this Notice that are not otherwise defined herein shall have the meanings provided in the Stipulation of Settlement of Securities Action dated May 7, 2013 (the “Stipulation”), which is available on the website for the Consolidated Action at www.fanniemaesecuritieslitigation.com.

² The remaining defendants are the Federal National Mortgage Association (“Fannie Mae”) and Fannie Mae’s former auditor, KPMG LLP (“KPMG”) (collectively, the “Settling Defendants”). The Court granted summary judgment to the former Fannie Mae officers Franklin D. Raines, J. Timothy Howard and Leanne G. Spencer (collectively, the “Individuals”) and dismissed them from the Action. The Individuals are not responsible for any portion of the settlement payment being made to the Class.

2. **Statement of Class's Recovery:** Subject to Court approval, and as described more fully below, Lead Plaintiffs, on behalf of themselves and the Class, have agreed to settle all claims based on the purchase of Fannie Mae's publicly traded common stock and call options and/or the sale of put options during the Class Period. The Net Settlement Fund (*i.e.*, the Settlement Amount plus any and all interest earned thereon (together, the "Settlement Fund") less (i) any Taxes, (ii) any Notice and Administration Costs, (iii) any litigation expenses awarded by the Court; and (iv) any attorneys' fees awarded by the Court) will be distributed according to a plan of allocation that is approved by the Court. The proposed plan of allocation (the "Plan of Allocation") is set forth on pages 7-12 below.

3. **Estimate of Average Amount of Recovery Per Share:** Lead Plaintiffs' damages expert estimates that approximately 767 million shares of Fannie Mae common stock were purchased during the Class Period and held through a corrective disclosure and therefore were damaged pursuant to Section 10(b) of the Exchange Act. Lead Plaintiffs' damages expert estimates that, if valid claims for all damaged shares are submitted, the average recovery per damaged share of Fannie Mae common stock will be approximately \$0.20 per share before deduction of attorneys' fees, costs and expenses awarded by the Court and the costs of providing notice and administering the Settlement. **Class Members should note, however, that the foregoing average recovery per damaged share of Fannie Mae common stock is only an estimate.** A Class Member's actual recovery will depend on several things, including: (1) the number of claims filed; (2) when Class Members purchased and/or held their Fannie Mae common stock during the Class Period; and (3) whether Class Members sold their shares of Fannie Mae common stock and, if so, when. Distributions to Class Members will be made based on the Plan of Allocation set forth herein (see pages 7-12 below) or such other plan of allocation as may be ordered by the Court.

4. **Statement of Average Amount of Damages Per Share:** The Lead Plaintiffs and Settling Defendants do not agree on the average amount of damages per share that would be recoverable if Lead Plaintiffs were to prevail in the Consolidated Action. Among other things, the Settling Defendants deny that they made any materially false or misleading statements or omitted material information. Settling Defendants also assert that they were prepared to establish that the price of Fannie Mae common stock declined in value for reasons not related to the disclosure of any allegedly false or misleading statements. The Plaintiffs and Settling Defendants also disagree on the appropriate methodology for determining damages, if liability were established. In sum, Settling Defendants do not agree with the assertion that they engaged in any actionable misconduct under the federal securities laws or that any damages were suffered by any members of the Class as a result of their conduct.

5. **Statement of Attorneys' Fees and Expenses Sought:** The Consolidated Action has been prosecuted on a wholly contingent basis since its inception in 2004. Court-appointed Lead Counsel, Markovits, Stock & DeMarco, LLC, along with other firms representing the Lead Plaintiffs (collectively "Plaintiffs' Counsel"), have not received any payment of attorneys' fees for their representation of the Class and have advanced millions of dollars in expenses necessarily incurred in order to prosecute the Action. As set forth in greater detail below (see ¶¶ 14-23 below), Plaintiffs' Counsel have taken this case from inception to summary judgment, and were responsible for, among other things: (i) conducting an extensive investigation into the Class's claims; (ii) drafting detailed amended complaints; (iii) successfully opposing multiple dismissal motions; (iv) successfully briefing Lead Plaintiffs' motion for class certification; (v) engaging in an extensive discovery program, including participating in approximately 108 fact depositions and reviewing more than 67 million pages of documents; (vi) briefing and arguing multiple motions for summary judgment, including Lead Plaintiffs' own motion for partial summary judgment; and (vii) engaging in multiple in-person and telephonic meetings regarding a possible settlement of the Consolidated Action before reaching an agreement in principle to settle on March 20, 2013.

Pursuant to the retention agreement between Lead Counsel and the Ohio Attorney General, on behalf of Lead Plaintiffs, Lead Counsel may apply and seek an award of attorneys' fees and costs incurred in connection with its prosecution of the claims against the Settlement Defendants and the Individuals. The retention agreement sets a base minimum fee of 7.5%-8.5% of the total recovery amount, after costs and expenses. Based on a number of factors not specifically set forth in the retention agreement—including the unusual length of this litigation (more than eight years), its difficulty, the extraordinary amount of time expended by the Plaintiffs' Counsel (the fees sought are far less than the lodestar, which is the amount of time expended multiplied by the hourly rates), and a comparison with fee awards in comparable cases—Lead Counsel will be seeking fees above the base minimum. As will be more fully set forth in Lead Counsel's Fee and Expense Application, Lead Counsel, on behalf of themselves and other Plaintiffs' Counsel, will apply to the Court for an award from the Settlement Fund of (i) reimbursement of out-of-pocket expenses incurred in prosecuting the Consolidated Action, not to exceed \$17 million plus the costs of settlement administration; (ii) attorneys' fees in an amount not to exceed 22% of the Settlement Fund, after other expenses have been deducted; and (iii) interest on the attorneys' fees and expenses awarded by the Court at the same rate and for the same periods as earned by the Settlement Fund from the date of the deposit of the Settlement Amount until the date the attorneys' fees and expenses are paid by the Settlement Fund. If the Court approves Lead Counsel's fee and expense application, the average cost per affected share of Fannie Mae common stock will be approximately \$0.07 per share.

6. **Identification of Attorneys' Representatives:** Lead Plaintiffs and the Class are being represented by: W. B. Markovits, Esq. and Joseph Deters, Esq., Markovits, Stock & DeMarco, LLC, 119 East Court St., Cincinnati, Ohio 45202, (888) 964-5832, fannie@msdlegal.com.

7. **Reasons for the Settlement:** Lead Plaintiffs' principal reason for entering into the Settlement is the substantial cash benefit for the Class without the risk or the delays inherent in further litigation. Moreover, the substantial cash benefit provided under the Settlement must be balanced against the significant risk that a smaller recovery – or, indeed, no recovery at all – might be achieved after a trial of the Consolidated Action and the likelihood of appeals that could last many months, or even years, into the future. The Settling Defendants, who deny all allegations of wrongdoing or liability whatsoever, are entering into the Settlement solely to eliminate the uncertainty, burden and expense of further protracted litigation.

YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT:

<p>SUBMIT A CLAIM FORM BY: DECEMBER 20, 2013.</p>	<p>This is the only way to be eligible to receive a payment from the Settlement, and a proper claim submission must follow the procedure outlined in ¶ 63 below. If you are a Class Member, you will be bound by the Settlement as approved by the Court and you will give up any Settled Class Claims (as defined in ¶ 60 below) that you have against the Settling Defendants, the Individuals, FHFA, and any related parties (as defined in ¶ 1, above), so it is in your interest to submit a Claim Form.</p>
<p>OPT-BACK INTO THE CLASS BY SUBMITTING A WRITTEN REQUEST TO WITHDRAW YOUR PREVIOUSLY SUBMITTED REQUEST FOR EXCLUSION SO THAT IT IS RECEIVED NO LATER THAN SEPTEMBER 20, 2013.</p>	<p>If you previously submitted a request for exclusion from the Class in connection with the Class Notice and now want to be part of the Class and be eligible to receive a payment from the Settlement Fund (by submitting a valid Claim Form by the claim filing deadline), you must follow the steps for “Opting-Back Into the Class” as set forth in ¶¶ 66-69 below. If you previously submitted a request for exclusion from the Class in connection with the Class Notice of Pendency of Class Action and wish to remain excluded from the Class, no further action is necessary.</p>
<p>OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION SO THAT IT IS DELIVERED OR POSTMARKED NO LATER THAN SEPTEMBER 20, 2013.</p>	<p>If you object to the proposed Settlement, the proposed Plan of Allocation, or the request for attorneys’ fees and reimbursement of litigation expenses, you may (but are not required to) write to the Court and explain why you object. You cannot object to the Settlement, the Plan of Allocation or the fee and expense request unless you are a Class Member and you did not previously submit a request for exclusion in connection with the Class Notice, or you have opted back in as set forth in ¶¶ 66-69 below.</p>
<p>GO TO THE HEARING ON OCTOBER 31, 2013 AT 11 A.M., AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS RECEIVED NO LATER THAN SEPTEMBER 20, 2013.</p>	<p>Filing a written objection and notice of intention to appear by September 20, 2013 allows you to speak in Court at the discretion of the Court about the fairness of the proposed Settlement, the Plan of Allocation, or the request for attorneys’ fees and reimbursement of litigation expenses. If you submit a written objection, you may (but do not have to) attend the Settlement Fairness Hearing and, at the discretion of the Court, speak to the Court about your objection.</p>
<p>DO NOTHING.</p>	<p>If you are a member of the Class and you do not submit a Claim Form by December 20, 2013, you will not be eligible to receive any payment from the Settlement Fund. You will, however, remain a member of the Class, which means that you give up your right to sue about the claims that are resolved by the Settlement and you will be bound by any judgments or orders entered by the Court in the Consolidated Action.</p>

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WHY DID I GET THIS NOTICE?

8. This Notice is being sent to you pursuant to an Order of the Court because you or someone in your family or an investment account for which you serve as custodian may have purchased or otherwise acquired Fannie Mae common stock or call options and/or sold put options during the Class Period (*i.e.* April 17, 2001 through December 22, 2004, inclusive). The Court has directed us to send you this Notice because, as a potential Class Member, you have a right to know about your options before the Court rules on the proposed Settlement of this case. Additionally, you have the right to understand how a class action lawsuit may generally affect your legal rights. If the Court approves the Settlement, The Garden City Group, Inc. (“GCG”), the claims administrator selected by Lead Plaintiffs and approved by the Court, will distribute payments pursuant to the Settlement after any objections and appeals are resolved.

9. In a class action lawsuit, under a federal law governing lawsuits such as this one, the Court appoints one or more investors, known as class representatives, to oversee litigation brought on behalf of all investors with similar claims, commonly known as the class or the class members. In this action, the Court has appointed the Ohio Public Employees Retirement System and the State Teachers Retirement System of Ohio to serve as class representatives, or “Lead Plaintiffs,” and has appointed the law firm of

Markovits, Stock & DeMarco, LLC as Lead Counsel for Lead Plaintiffs and the Class in the Consolidated Action. A class action is a type of lawsuit in which the claims of a number of individuals are resolved together, thus providing the class members with both consistency and efficiency. Here, the Court has already certified the Class. Accordingly, the Settlement, if approved by the Court, will resolve all issues on behalf of the Class Members, except for any Persons who previously submitted a request for exclusion in connection with the Class Notice who do not opt-back into the Class.

10. The Court in charge of this case is the United States District Court for the District of Columbia, and the case is known as *In re Fannie Mae Securities Litigation*, Consolidated Civil Action No. 04-1639 (RJL). The Judge presiding over this case is the Honorable Richard J. Leon, United States District Judge. The people who are suing are called plaintiffs, and those who are being sued are called defendants. In this case, two of the named plaintiffs are referred to as the Lead Plaintiffs and they are suing on behalf of themselves and the Class, and the remaining defendants are Fannie Mae and KPMG (see fn. 2 above). If the Settlement is approved, it will resolve all claims in the Consolidated Action by Class Members against the Settling Defendants and will bring the Consolidated Action to an end.

11. This Notice explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them. The purpose of this Notice is to inform you that a settlement has been reached in this Consolidated Action and how you might be affected. It also is being sent to inform you of the terms of the proposed Settlement, and of a Hearing on Final Approval of Settlement to be held by the Court to consider the fairness, reasonableness, and adequacy of the proposed Settlement, the proposed Plan of Allocation, and the motion by Lead Counsel for an award of attorneys' fees and reimbursement of litigation expenses (the "Settlement Fairness Hearing").

12. The Settlement Fairness Hearing will be held on October 31, 2013 at 11 a.m., before the Honorable Richard J. Leon, at the E. Barrett Prettyman United States Courthouse, 333 Constitution Ave, NW, Washington, D.C. 20001, to determine:

- a) whether the proposed Settlement is fair, reasonable, and adequate and should be approved by the Court;
- b) whether the Action should be dismissed with prejudice against the Settling Defendants as set forth in the Stipulation;
- c) whether the proposed Plan of Allocation is fair and reasonable and should be approved by the Court;
- d) whether Lead Counsel's request for an award of attorneys' fees and reimbursement of litigation expenses should be approved by the Court; and
- e) any other relief the Court deems necessary to effectuate the terms of the Settlement.

13. This Notice does not express any opinion by the Court concerning the merits of any claim in the Consolidated Action, and the Court still has to decide whether to approve the Settlement. If the Court approves the Settlement, payments to Authorized Claimants will be made after any appeals are resolved, and after the completion of all claims processing. As referenced above, there are millions of shares of Fannie Mae common stock and call and put options as to which claims may be submitted and, thus, the claims process could take substantial time to complete fully and fairly. Please be patient.

WHAT IS THIS CASE ABOUT?

A. Summary of Procedural History and Background on Lead Plaintiffs' Claims

14. Beginning in September 2004, multiple securities class action complaints were filed against Fannie Mae and certain of its officers in this District and others. These were consolidated in the Consolidated Action.

15. The Court appointed pension funds Ohio Public Employees Retirement System and State Teachers Retirement System of Ohio as Lead Plaintiffs in January 2005, and Lead Plaintiffs filed a Consolidated Complaint in March 2005. In February 2006, the Court denied Fannie Mae's motion to dismiss.

16. The "Second Amended Consolidated Class Action Complaint" (the "Complaint"), filed August 14, 2006, alleged that Fannie Mae and the other defendants – Franklin Raines, Timothy Howard, Leanne Spencer, and KPMG, LLP – publicly issued materially false and misleading financial reports and other statements that artificially inflated the price of Fannie Mae's securities, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Securities and Exchange Commission ("SEC") Rule 10b-5 promulgated thereunder. On September 28, 2006, KPMG filed a motion to dismiss, which was denied on January 24, 2007.

17. In January 2008, following motions and briefing, the Court certified a Class generally composed of purchasers of Fannie Mae's common stock and call options and sellers of Fannie Mae's put options from April 17, 2001 through December 22, 2004 (the "Class Period"). A Notice of Pendency of Class Action was mailed to potential class members over several months in 2008. There was a mailing of 958,697 notices, and over 20,000 remailings for updated addresses; 239 timely exclusions were received.

18. Fact discovery concluded on April 29, 2010, with over 67 million pages of documents produced and 108 fact witnesses deposed. Expert discovery concluded on May 26, 2011; Lead Plaintiffs had 6 experts and Fannie Mae, KPMG and the Individuals had 29 experts combined.

19. The parties filed eight summary judgment motions in August 2011, two by Plaintiffs, two joint motions by Fannie Mae, KPMG and certain of the Individuals, one motion by KPMG, and one each by the Individuals. These were argued in June 2012 over the course of four days. The Court granted summary judgment on the Individuals' motions on September 20, October 16 and November 20, 2012.

B. The Settlement Negotiations

20. After some unsuccessful and sporadic efforts at settlement, the Settling Defendants and Lead Plaintiffs agreed to formal mediation in 2011, using the services of Fred Fielding, an experienced mediator with the law firm of Morgan, Lewis & Bockius LLP. The first meeting with the mediator took place on June 8, 2011. After a number of meetings over the course of more than a year, on March 20, 2013 the mediator was able to effect an agreement in principle, which was memorialized in a Memorandum of Understanding signed on April 10, 2013.

21. Based upon their investigation, prosecution and mediation of the case, Lead Counsel have concluded that the terms and conditions of the Stipulation are fair, reasonable and adequate to the Lead Plaintiffs and the other members of the Class, and in their best interests. Based on Lead Plaintiffs' direct oversight of the prosecution of this matter and with the advice of Lead Counsel, each of the Lead Plaintiffs has agreed to settle the claims raised in the Consolidated Action pursuant to the terms and provisions of the Stipulation, after considering (a) the very substantial financial benefit that Lead Plaintiffs and the other members of the Class will receive under the proposed Settlement, (b) the significant risks of continued litigation and trial, and (c) the desirability of permitting the Settlement to be consummated as provided by the terms of the Stipulation. The fact that Lead Plaintiffs have agreed to settle the Consolidated Action shall in no event be construed or deemed to be evidence of or an admission or concession on the part of any Lead Plaintiff of any infirmity in any of the claims asserted in the Consolidated Action, or an admission or concession that any of Settling Defendants' affirmative defenses to liability have any merit.

22. Settling Defendants are entering into the Stipulation solely to eliminate the uncertainty, burden and expense of further protracted litigation. Each of the Settling Defendants denies any wrongdoing, and the Stipulation shall in no event be construed or deemed to be evidence of or an admission or concession on the part of any of the Settling Defendants, (defined in footnote 2, above), with respect to any claim or allegation of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that Settling Defendants have, or could have asserted. The Settling Defendants expressly deny that Lead Plaintiffs have asserted any valid claims as to any of them, and expressly deny any and all allegations of fault, liability, wrongdoing or damages whatsoever.

23. On June 7, 2013, the Court preliminarily approved the Settlement, authorized this Notice to be disseminated to potential Class Members, and scheduled the Settlement Fairness Hearing to consider whether to grant final approval to the Settlement.

HOW DO I KNOW IF I AM AFFECTED BY THE SETTLEMENT?

24. If you are a member of the Class, you are subject to the Settlement unless you are excluded from the Class as set forth below. The Class consists of:

All purchasers of the publicly traded common stock and call options of Fannie Mae, and sellers of Fannie Mae publicly traded put options during the period from April 17, 2001 through December 22, 2004 (the "Class Period") who suffered damages thereby (the "Class"). Excluded from the Class are (i) the Settling Defendants and the Individuals, who were previously dismissed from the case, (ii) any person who was an officer or director of Fannie Mae or any of its parents or subsidiaries during the Class Period, (iii) the members of the immediate family of each of the Individuals, (iv) any entity in which any Settling Defendant or Individuals had a controlling interest during the Class Period, (v) any parent or subsidiary of Fannie Mae, (vi) any incentive, retirement, stock or other benefit plan that benefited solely the Individuals, and (vii) the legal representatives, heirs, predecessors, successors or assigns of any of the foregoing excluded persons and entities.

Also excluded from the Class are any Persons who submitted a request for exclusion in connection with the Class Notice as set forth on Appendix 1 to the Stipulation who do not opt-back into the Class in accordance with the instructions set forth herein (see ¶¶66-69 below).

PLEASE NOTE: RECEIPT OF THIS NOTICE DOES NOT MEAN THAT YOU ARE A CLASS MEMBER OR THAT YOU WILL BE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU ARE A CLASS MEMBER AND YOU WISH TO BE ELIGIBLE TO PARTICIPATE IN THE DISTRIBUTION OF PROCEEDS FROM THE SETTLEMENT, YOU ARE REQUIRED TO SUBMIT THE CLAIM FORM THAT IS BEING DISTRIBUTED WITH THIS NOTICE AND THE REQUIRED SUPPORTING DOCUMENTATION AS SET FORTH THEREIN POSTMARKED NO LATER THAN DECEMBER 20, 2013.

WHAT ARE LEAD PLAINTIFFS' REASONS FOR THE SETTLEMENT?

25. The principal reason for Lead Plaintiffs' consent to the Settlement is that it provides an immediate and substantial benefit to the Class in the form of a substantial monetary recovery. The benefit of the present Settlement must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly many months, or even years, into the future.

26. But for the Settlement achieved on March 20, 2013, this Consolidated Action would either have faced potential dismissal upon resolution of the remaining summary judgment motions, or would have proceeded to trial. The claims advanced by the Class in this Consolidated Action involve numerous complex legal and factual issues. If the Consolidated Action were to proceed to trial, Lead Plaintiffs would have to overcome significant defenses. Among other things, the Lead Plaintiffs and Settling Defendants disagree about (i) whether Lead Plaintiffs or the Class have suffered any damages, (ii) whether the price of Fannie Mae common stock was artificially inflated by reason of the alleged misrepresentations, omissions, or otherwise, (iii) whether Lead Plaintiffs or the

Class were harmed by the conduct alleged in the Complaint. The Lead Plaintiffs and Settling Defendants also disagree on the appropriate methodology for determining damages, if liability were established. Lead Plaintiffs and the Class also faced risk based upon the current and future financial situation of Fannie Mae: it is presently in conservatorship and its future is uncertain. Moreover, in related litigation, Lead Plaintiffs challenge a rule recently imposed by Fannie Mae's conservator, Federal Housing Finance Agency ("FHFA"), that, according to FHFA, gives it the power to refuse payment of a securities judgment against Fannie Mae while Fannie Mae is in conservatorship. This Settlement enables the Class to recover without incurring any additional risk or costs.

27. Settling Defendants have expressly denied and continue to deny all assertions of wrongdoing or liability against them arising out of any of the conduct, statements, acts, or omissions alleged, or that could have been alleged, in the Consolidated Action. Settling Defendants also continue to believe that the claims asserted against them in the Consolidated Action are without merit. Settling Defendants have agreed to enter into the Settlement, as embodied in the Stipulation, solely to avoid the uncertainty, burden and expense of further protracted litigation.

28. In light of the risks associated with a trial of this Consolidated Action, the monetary amount of the Settlement and the immediacy of this recovery to the Class, Lead Plaintiffs believe that the proposed Settlement is fair, reasonable and adequate, and in the best interests of the Class. Lead Plaintiffs believe that the Settlement provides a substantial benefit to the Class, namely \$153 million in cash (less the various deductions described in this Notice), as compared to the risk that the claims in the Consolidated Action would produce a smaller, or no, recovery after summary judgment or trial and appeals.

WHAT MIGHT HAPPEN IF THERE WERE NO SETTLEMENT?

29. If there were no Settlement and Lead Plaintiffs failed to establish any essential legal or factual element of their claims, neither Lead Plaintiffs nor the other members of the Class would recover anything from Settling Defendants. Also, if Settling Defendants were successful in proving any of their defenses, either at summary judgment, at trial or on appeal, the Class likely would recover substantially less than the amount provided in the Settlement, or nothing at all.

HOW MUCH WILL MY PAYMENT BE?

30. At this time, it is not possible to make any determination as to how much any individual Class Member may receive from the Settlement.

31. Pursuant to the Settlement, Fannie Mae and KPMG have agreed to pay one hundred fifty-three million dollars (\$153,000,000) in cash (the "Settlement Amount"). The Settlement Amount will be deposited into an interest-bearing escrow account. The Settlement Amount plus all interest earned thereon is referred to as the "Settlement Fund." If the Settlement is approved by the Court and the Effective Date occurs, the "Net Settlement Fund" (that is, the Settlement Fund less (a) all federal, state and local taxes on any income earned by the Settlement Fund and the reasonable costs incurred in connection with determining the amount of and paying taxes owed by the Settlement Fund (including reasonable expenses of tax attorneys and accountants); (b) the costs and expenses incurred in connection with providing notice to Class Members and administering the Settlement on behalf of Class Members; and (c) any attorneys' fees and litigation expenses awarded by the Court) will be distributed to Class Members who submit valid Claim Forms, in accordance with the proposed Plan of Allocation or such other plan of allocation as the Court may approve.

32. The Net Settlement Fund will not be distributed until the Court has approved a plan of allocation and the Settlement, and the time for any petition for rehearing, appeal or review, whether by certiorari or otherwise, has expired.

33. Neither Settling Defendants nor any other person or entity that paid any portion of the Settlement Amount on their behalf are entitled to get back any portion of the Settlement Fund once the Court's order or judgment approving the Settlement becomes Final. Settling Defendants, FHFA and the Individuals shall not have any liability, obligation or responsibility for the administration of the Settlement, the disbursement of the Net Settlement Fund or the plan of allocation.

34. Approval of the Settlement is independent from approval of the Plan of Allocation. Any determination with respect to the Plan of Allocation will not affect the Settlement, if approved.

35. Only Class Members will be eligible to share in the distribution of the Net Settlement Fund.

36. Each Class Member wishing to participate in the distribution must timely submit a valid claim form establishing membership in the Class ("Claim Form"), including all required documentation, postmarked on or before December 20, 2013 to the address set forth in the Claim Form that accompanies this Notice.

37. Unless the Court otherwise orders, any Class Member who fails to submit a Claim Form in accordance with ¶ 63 below (postmarked on or before December 20, 2013, or received on or before December 20, 2013 if submitted in any manner other than by first class mail) shall be fully and forever barred from receiving payments pursuant to the Settlement but will in all other respects remain a Class Member and be subject to the provisions of the Stipulation, including the terms of any Judgment entered and the releases given. This means that each Class Member releases the Settled Class Claims (as defined in ¶ 60 below) and will be enjoined and prohibited from filing, prosecuting, or pursuing any of the Settled Class Claims whether or not such Class Member submits a Claim Form.

38. Information Required on the Claim Form: Among other things, each Claim Form must state and provide sufficient documentation for the claimant's position in Fannie Mae common stock and/or call or put options as of the beginning of the Class Period, all transactions in Fannie Mae common stock and/or call or put options during the Class Period, and the claimant's closing position in Fannie Mae common stock and/or call or put options on the date specified in the Claim Form.

39. The Court has reserved jurisdiction to allow, disallow, or adjust on equitable grounds the claim of any Class Member. Each claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to his, her or its Claim.

40. Persons and entities that either are excluded from the Class by definition or whose names appear on Appendix 1 to the Stipulation because they previously submitted a request for exclusion in connection with the Class Notice who do not elect to opt-back into the Class, will not be eligible to receive a distribution from the Net Settlement Fund and should not submit Claim Forms.

PROPOSED PLAN OF ALLOCATION

A. Preliminary Matters

41. The objective of the Plan of Allocation is to equitably distribute the settlement proceeds to those Class Members who suffered economic losses as a proximate result of the alleged wrongdoing. The Plan of Allocation generally measures the amount of loss that a Class Member can claim for purposes of making *pro rata* allocations of the Net Settlement Fund to Authorized Claimants. The Plan of Allocation is not a formal damage analysis. The calculations made pursuant to the Plan of Allocation are not intended to be estimates of, nor indicative of, the amounts that Class Members might have been able to recover after a trial. Nor are the calculations pursuant to the Plan of Allocation intended to be estimates of the amounts that will be paid to Authorized Claimants pursuant to the Settlement. The computations under the Plan of Allocation are only a method to weigh the claims of Authorized Claimants against one another for the purposes of making *pro rata* allocations of the Net Settlement Fund.

42. In developing the Plan of Allocation, Lead Plaintiffs' damages expert calculated the amount of estimated alleged artificial inflation in the per share closing prices of Fannie Mae common stock as well as call or put options that purportedly was proximately caused by Settling Defendants' alleged misrepresentations and material omissions. In calculating the estimated alleged artificial inflation allegedly caused by Settling Defendants' alleged misrepresentations and material omissions, Lead Plaintiffs' damages expert considered price changes in Fannie Mae common stock and call or put options in reaction to certain public announcements regarding Fannie Mae in which such misrepresentations and material omissions were alleged to have been finally revealed to the market (which are termed "corrective disclosures"), adjusting for price changes that were attributable to market or industry forces, the allegations in the Complaint and the evidence developed in support thereof, as advised by Lead Counsel.

43. The dates of the price reactions to the alleged corrective disclosures that removed artificial inflation from the prices of Fannie Mae common stock and call or put options are: (a) September 22, 2004 (the date Fannie Mae released the OFHEO examination summary points and announced the SEC inquiry); (b) September 23, 2004 (the trading date following the release, after the market closed on September 22, 2004, of the interim OFHEO Report); (c) September 24, 2004 (the trading date following the filing by Fannie Mae, after the market closed on September 23, 2004, of a Form 8-K disclosing modifications to the employment agreements with top executives); (d) September 30, 2004 (the date a possible DOJ criminal investigation was announced); (e) December 16, 2004 (the trading date following the release of information, after the market closed on December 15, 2004, that the SEC Chief Accountant advised Fannie Mae that he believed that its accounting did not comply in material respects with GAAP and that Fannie Mae should restate its financials); and (f) December 23, 2004 (the trading date following the filing by Fannie Mae, after the market closed on December 22, 2004, of its Form 8-K with the SEC, indicating that it would restate its financials). Lead Plaintiffs' expert also found the following dates during the Class Period as to which it was reasonable to conclude that fraud-related misrepresentations caused inflation to increase: (a) June 16, 2003 (the trading date following a public statement released by Fannie Mae, after the market closed on June 13, 2003, assuring investors that Fannie Mae's accounting was proper); (b) July 30, 2003 (the date of a public statement that Fannie Mae had suffered collateral damage from Freddie Mac accounting problems, stating that Fannie Mae did not "do any of those things."); (c) October 6, 2004 (the date of Congressional testimony by Fannie Mae executives strongly denying OFHEO allegations); and (d) October 7, 2004 (the date analysts made positive comments regarding the Congressional testimony of Fannie Mae executives).

44. Recognized Loss amounts under Section 10(b) of the Exchange Act are based primarily on the change in the level of alleged artificial inflation in the prices of Fannie Mae common stock and call or put options at the time of purchase or acquisition and at the time of sale. Accordingly, in order to have a Recognized Loss Amount under Section 10(b), a Class Member who purchased his, her or its shares of Fannie Mae common stock or call options and/or sold put options prior to September 22, 2004 must have held his, her or its shares of Fannie Mae common stock or put or call options through at least the opening of trading on September 22, 2004. With respect to shares of Fannie Mae common stock or call options purchased or put options sold on September 22, 2004 through the close of trading on December 22, 2004, those securities must have been held through at least one of the subsequent alleged corrective disclosure dates.

45. Because the Net Settlement Fund is less than the total losses suffered by Class Members, the formulas described below for calculating Recognized Losses are not intended to estimate the amount that will actually be paid to Authorized Claimants. Rather, these formulas provide the basis on which the Net Settlement Fund will be distributed among Authorized Claimants.

B. Eligible Securities

46. The Fannie Mae securities ("Eligible Securities") for which an Authorized Claimant may be entitled to receive a distribution from the Net Settlement Fund consists of the following:

- Common stock (CUSIP No. 313586109)
- Exchange-traded call and put options (listed in Exhibits 1 and 2)³

³ Exhibits 1 and 2 exclude those options that expired before September 22, 2004, the date of the price reaction to the first alleged corrective disclosure. Class Members who purchased call options (or wrote put options), which are excluded from Exhibits 1 and 2, do not have a claim compensable from the Net Settlement Fund with respect to those particular securities.

C. Additional Definitions

47. This Plan is based on the following additional definitions (listed alphabetically):
- a) An “Authorized Claimant” is a Class Member who is entitled under this Plan to share in the distribution of the Net Settlement Fund and who submits a timely and valid Proof of Claim.
 - b) The “Class Period” is the time period between April 17, 2001 and December 22, 2004, inclusive.
 - c) “Deflation” means the amount by which the price of a put option on Fannie Mae common stock was allegedly undervalued on each day in the Class Period because of the alleged false statements and omissions.
 - d) “Inflation” is the amount by which the price of Fannie Mae common stock and call options on Fannie Mae common stock were allegedly overvalued on each day in the Class Period because of the alleged false statements and omissions.
 - e) “Inflation Loss” is the amount of loss calculated based on the amount of Inflation in the price of Fannie Mae common stock and call options, or Deflation in the price of Fannie Mae put options, based on the methodology described below.
 - f) “Inflation Gain” is the amount of gain calculated based on the amount of Inflation in the price of Fannie Mae common stock and call options, or Deflation in the price of Fannie Mae put options, based on the methodology described below.
 - g) A “Net Inflation Loss” for each Claimant will be computed by adding up all Inflation Losses and subtracting all Inflation Gains for all transactions in Eligible Securities.
 - h) A “Net Trading Loss” for each Claimant will be computed by adding up all Trading Losses and subtracting all Trading Gains for all transactions in Eligible Securities.
 - i) A “purchase” is the acquisition of an Eligible Security by any means other than a gift, inheritance, or operation of law (as discussed below).
 - j) “Purchase Amount” is the Purchase Price Per Share multiplied by the number of shares of Fannie Mae common stock or options purchased by a Claimant during the Class Period.
 - k) “Purchase Price Per Share” is the amount paid per share (or per option) by a Claimant to purchase shares of Fannie Mae common stock or options.
 - l) “Recognized Claim” is the amount of the Net Settlement Fund that an Authorized Claimant is entitled to after calculation of the Authorized Claimant’s *pro rata* share of the Net Settlement Fund.
 - m) “Recognized Loss” is the amount of a claim under this Plan and is the number used to calculate an Authorized Claimant’s Recognized Claim.
 - n) A “sale” is the disposition of an Eligible Security by any means other than a gift, inheritance or operation of law (as discussed below).
 - o) “Sale Price Per Share” is the amount received per share (or per option) by a Claimant upon the sale of shares of Fannie Mae common stock or options.
 - p) “Sales Proceeds” equals the number of shares of common stock or options purchased during the Class Period by a Claimant multiplied by (i) Sale Price Per Share if sold during the Class Period; or (ii) the Holding Price per share (as described below), if unsold at the end of the Class Period.
 - q) “Trading Gain” means the amount by which the Sales Proceeds exceeds the Purchase Amount for each transaction by a Claimant in an Eligible Security.
 - r) “Trading Loss” means the amount by which the Purchase Amount exceeds the Sales Proceeds for each transaction by a Claimant in an Eligible Security.

D. Principles

48. This Plan is based on the following principles, among others:
- a) *Authorized Claimants*: Authorized Claimants must have purchased or otherwise acquired an Eligible Security during the Class Period. Further, in order for the Authorized Claimant to share in the distribution of the Net Settlement Fund, the Eligible Security must have declined (or increased for put options) due to disclosure corrective of the alleged false statements and omissions resulting in a decline in the amount of inflation (or deflation for put options), and, in any case, the Authorized Claimant must have suffered a Net Inflation Loss and a Net Trading Loss as described below.

- b) *FIFO Matching*: For purposes of computing Inflation Losses (and Inflation Gains), and Trading Losses (and Trading Gains) for a Claimant's multiple purchases or sales of an Eligible Security, purchases will be matched to sales using the "first-in/first out" (FIFO) inventory method, which matches sales to purchases based on the dates of those transactions. Specifically, when any Proof of Claim includes a sale of an Eligible Security during the Class Period, the earliest sale will be matched first against the Claimant's opening position on the first day of the Class Period, if any, and then matched chronologically thereafter against each purchase or acquisition during the Class Period. Sales matched to an Eligible Security from a Claimant's opening position are excluded from the calculation of Inflation Loss (or Inflation Gain) and Trading Loss (or Trading Gain).
- c) *Effect of shares acquired from the exercise of call options*: Fannie Mae common stock acquired during the Class Period through the exercise of an exchange-traded call option shall be treated as a purchase of Fannie Mae common stock on the date of exercise. The purchase price paid for such stock shall be the closing price of Fannie Mae common stock on the date of exercise.
- d) *Effect of shares assigned from the exercise of put options*: Fannie Mae common stock acquired during the Class Period pursuant to the exercise of an exchange-traded put option shall be treated as a purchase of Fannie Mae common stock on the date of exercise. The purchase price received for such stock shall be the closing price of Fannie Mae common stock on the date of exercise.
- e) *Treatment of acquisition of shares of an Eligible Security by means of a gift, inheritance or operation of law*. If a Claimant acquired an Eligible Security by means of a gift, inheritance or operation of law, the purchase date for that acquisition will be the original date of purchase and not the date of transfer, unless the transfer resulted in a taxable event or other change in the cost basis of those shares of Fannie Mae common stock or options. To the extent that any Eligible Security that was sold during the Class Period and was originally purchased prior to the beginning of or after the end of the Class Period, and there was no taxable event or change in cost basis at the time of transfer during the Class Period, the Class Member's Inflation Loss (or Inflation Gain) and Trading Loss (or Trading Gain) for that acquisition shall be zero.
- f) *Treatment of disposition of shares of an Eligible Security by means of a gift, inheritance or operation of law*. If a Claimant disposed of an Eligible Security by means of a gift, inheritance or operation of law, the sale date for that disposition will be the date of sale by the Transferee and not the date of transfer, unless the transfer resulted in a taxable event or other change in the cost basis of the Eligible Security. To the extent that an Eligible Security that was purchased during the Class Period and was disposed of by means of a gift, inheritance or operation of law during the Class Period and the Transferee did not subsequently sell that Eligible Security during the Class Period, and there was no taxable event or change in cost basis at the time of transfer during the Class Period, the Class Member's Inflation Loss (or Inflation Gain) and Trading Loss (or Trading Gain) for that disposition shall be zero.

E. Computation of Net Inflation Loss and Net Trading Loss

49. Fannie Mae Common Stock (Inflation Loss/Inflation Gain):

Inflation Loss: For each purchase of Fannie Mae common stock during the Class Period, the Inflation Loss for each purchase transaction will be computed (using FIFO matching of purchases to sales) as follows (but not less than zero):

- a) *if sold during the Class Period*, the number of shares purchased (matched to such sales in such transaction) multiplied by the lesser of: (i) the Purchase Price Per Share minus the Sale Price Per Share; or (ii) the amount by which the Inflation per share at purchase as shown in Table A below exceeds the Inflation per share at sale shown in Table A;
- b) *if held as of the close of trading on December 22, 2004*, the number of shares purchased multiplied by the lesser of: (i) the Purchase Price Per Share minus the Holding Price per share of \$69.62 (the closing price on December 23, 2004); or (ii) the Inflation per share at purchase shown in Table A.

Inflation Gain: For each purchase of Fannie Mae common stock during the Class Period, the Inflation Gain for each purchase transaction will be computed (using FIFO matching of purchases to sales) as follows (but not less than zero):

- a) *if sold during the Class Period*, the number of shares purchased (matched to such sales in such transaction) multiplied by the amount by which the Inflation per share at sale as shown in Table A below exceeds the Inflation per share at purchase shown in Table A;
- b) *if held as of the close of trading on December 22, 2004*, the Inflation Gain is zero.

Table A - Inflation Per Share of Fannie Mae Common Stock

<i>Period Start</i>	<i>Period End</i>	<i>Inflation at Time of Purchase or Sale</i>
April 17, 2001	June 15, 2003	\$5.52
June 16, 2003	July 29, 2003	\$7.99
July 30, 2003	September 21, 2004	\$9.10
September 22, 2004	September 22, 2004	\$6.07
September 23, 2004	September 23, 2004	\$3.84
September 24, 2004	September 29, 2004	\$2.04
September 30, 2004	October 5, 2004	\$0.00
October 6, 2004	October 6, 2004	\$1.29
October 7, 2004	December 15, 2004	\$3.09
December 16, 2004	December 22, 2004	\$1.60

50. **Fannie Mae Call Options (Inflation Loss/Inflation Gain):** Exchange-traded options are typically traded in units called contracts. Each contract entitles the option buyer/owner to 100 shares of the underlying stock upon exercise or expiration. For options, a unit is an option with one hundred shares of Fannie Mae Common Stock as the underlying security.

Inflation Loss: For publicly traded call options on Fannie Mae common stock purchased or otherwise acquired during the Class Period (and not purchased to close a written call), the Inflation Loss for each purchase transaction will be computed (using FIFO matching) as follows (but not less than zero):

- a) *if closed out or settled during the Class Period*, the number of call options purchased (matched to such sales in such transaction) multiplied by the lesser of: (i) the purchase price per call option minus the proceeds received upon the settlement or closing of the call option (\$0.00 for options that expired unexercised) multiplied by 100; or (ii) the amount by which Inflation per call option at purchase as shown in Exhibit 1 exceeds the Inflation per call option when settled or closed out as shown in Exhibit 1 multiplied by 100;
- b) *if open as of the close of trading on December 22, 2004*, the number of call options purchased or otherwise acquired multiplied by the lesser of: (i) the purchase price per call option minus the Holding Price per call option as shown in Exhibit 1 multiplied by 100; or (ii) the Inflation per call option at purchase as shown in Exhibit 1 multiplied by 100.
- c) In the case where the publicly traded call option was exercised for Fannie Mae common stock, the proceeds received upon the settlement of the option equals the intrinsic value of the option using Fannie Mae common stock's closing price on the date the option was exercised.

Inflation Gain: For publicly traded call options on Fannie Mae common stock purchased or otherwise acquired during the Class Period (and not purchased to close a written call), the Inflation Gain for each purchase transaction will be computed (using FIFO matching) as follows (but not less than zero):

- a) *if closed out or settled during the Class Period*, the number of call options purchased (matched to such closing transactions) multiplied by the amount by which the Inflation per call option when settled or closed out as shown in Exhibit 1 exceeds the Inflation per call option at purchase as shown in Exhibit 1 multiplied by 100;
- b) *if open as of the close of trading on December 22, 2004*, the Inflation Gain equals zero.

51. **Fannie Mae Put Options (Inflation Loss/Inflation Gain):**

Inflation Loss: For publicly traded put options on Fannie Mae common stock written during the Class Period, the Inflation Loss for each transaction will be computed (using FIFO matching) as follows (but not less than zero):

- a) *if closed out or settled during the Class Period*, the number of put options written (matched to such closing transactions) multiplied by the lesser of: (i) the amount paid upon the settlement or closing of the put option (\$0.00 for options that expired unexercised) minus the price for which the put option was sold multiplied by 100; or (ii) the amount by which Deflation per put option when sold as shown in Exhibit 2 exceeds the Deflation per put option when settled or closed out as shown in Exhibit 2 multiplied by 100;
- b) *if open as of the close of trading on December 22, 2004*, the number of put options written multiplied by the lesser of: (i) the Holding Price per put option as shown in Exhibit 2 minus the price for which the put option was sold multiplied by 100; or (ii) the Deflation per put option when sold as shown in Exhibit 2 multiplied by 100.
- c) In the case where the publicly traded put option was exercised for Fannie Mae common stock, the amount paid upon the settlement of the option equals the intrinsic value of the option using Fannie Mae common stock's closing price on the date the option was exercised.

Inflation Gain: For publicly traded put options on Fannie Mae common stock written during the Class Period, the Inflation Gain for each transaction will be computed (using FIFO matching) as follows (but not less than zero):

- a) *if closed out or settled during the Class Period*, the number of put options written (matched to such closing transactions) multiplied by the amount by which the Deflation per put option when settled or closed out as shown in Exhibit 2 exceeds the Deflation per put option when sold as shown in Exhibit 2 multiplied by 100;
- b) *if open as of the close of trading on December 22, 2004*, the Inflation Gain equals zero.

52. **Net Inflation Loss:** Net Inflation Loss for a Claimant is the sum of all Inflation Losses minus all Inflation Gains for all transactions in Eligible Securities. If a Claimant has a Net Inflation Loss greater than zero for all of Claimant's purchases of Eligible Securities, then the Claims Administrator will compute the Trading Loss/Trading Gain, as indicated below.

53. **Trading Loss/Trading Gain:**

Common Stock/Call Options: For each purchase of Fannie Mae common stock and call options purchased during the Class Period, the Trading Loss/Trading Gain for each transaction (using FIFO matching of purchases to sales) will be computed as follows:

- a) *if sold on or before December 22, 2004*, the Trading Loss/Trading Gain equals the Purchase Amount minus the Sales Proceeds; or
- b) *if held (or open) as of the close of trading on December 22, 2004*, the Trading Loss/Trading Gain equals: (i) the Purchase Amount minus (ii) the number of shares of Fannie Mae common stock held multiplied by \$69.62, the Holding Price per share of Fannie Mae common stock, or the number of open call options multiplied by the Holding Price per call option as shown in Exhibit 1.

Put Options: For each writing of Fannie Mae put options during the Class Period, the Trading Loss/Trading Gain for each writing transaction (using FIFO matching of sales to purchases) will be computed as follows:

- a) *if closed out or settled on or before December 22, 2004*, the Trading Loss/Trading Gain equals the Purchase Amount minus the Sales Proceeds; or
- b) *if open as of the close of trading on December 22, 2004*, the Trading Loss/Trading Gain equals the number of open put options multiplied by the holding price per put option as shown in Exhibit 2 minus the Sales Proceeds.

Additional Trading Loss/Trading Gain Provisions:

- a) If the Trading Loss/Trading Gain is greater than zero, then the Claimant has a Trading Loss for that transaction. If the Trading Loss/Trading Gain is less than zero, then the Claimant has a Trading Gain for that transaction.
- b) Net Trading Loss for each Claimant will be the sum of all Trading Losses and Trading Gains for all transactions in Eligible Securities for that Claimant.
- c) If a Claimant has a Net Trading Loss greater than zero and a Net Inflation Loss for all of the Claimant's transactions in Eligible Securities, the Claims Administrator will compute the Recognized Loss (and Recognized Claim), as indicated below. If a Claimant has a Net Trading Loss less than or equal to zero, wherein the total Trading Gains exceed or are equal to total Trading Losses for the transactions in Eligible Securities, the Claimant will not be eligible to receive a distribution from the Net Settlement Fund.

F. Recognized Loss and Recognized Claim

54. **Recognized Loss:** For transactions in Eligible Securities, if a Claimant has a Net Inflation Loss and a Net Trading Loss, the Recognized Loss for each Claimant will be the lesser of such Claimant's: (i) Net Inflation Loss; or (ii) Net Trading Loss. ***Please note that the term "Recognized Loss" is used solely for calculating the amount of participation by Authorized Claimants in the Net Settlement Fund. It is not the actual amount an Authorized Claimant can expect to recover.***

55. **Recognized Claim:** The Recognized Claim for an Authorized Claimant will be based on the Claimant's pro-rata share of the Net Settlement Fund. The Claimant's Recognized Claim will be calculated by multiplying the Net Settlement Fund by a fraction, the numerator of which is the Claimant's Recognized Loss for transactions in Eligible Securities, and the denominator of which is the aggregate Recognized Losses of all Authorized Claimants for all transactions in Eligible Securities. The Recognized Claim Amount received by an Authorized Claimant will exceed his, her, or its Recognized Loss only in the unlikely event that the Net Settlement Fund exceeds the aggregate Total Recognized Losses of all Authorized Claimants.

56. Payments made pursuant to this Plan of Allocation above shall be conclusive against all Authorized Claimants. No Person shall have any claim against the Plaintiffs, Lead Counsel or any experts and consultants retained by Plaintiffs or Lead Counsel; any claims administrator; or Settling Defendants, FHFA or the Individuals (or any person designated by Plaintiffs' Lead Counsel or Settling Defendants, FHFA, the Individuals or any of their respective Counsel) based on distributions made substantially in accordance with this Plan or further orders of the Court. Claimants who fail to complete and file a valid and timely Proof of Claim form shall be barred from participating in distributions from the Net Settlement Fund, unless the Court otherwise orders. Class Members who do not

submit a valid and timely Proof of Claim will nevertheless be bound by the Settlement and the Order and Final Judgment of the Court dismissing this Litigation.

57. The Court has reserved jurisdiction to modify, amend or alter the Plan of Allocation without further notice to anyone, and to allow, disallow or adjust any Claimant's claim to ensure a fair and equitable distribution of settlement funds.

58. Distributions will be made to Authorized Claimants whose claims entitle them to a payment of no less than \$10.00 after all claims have been processed and after the Court has finally approved the Settlement.

HOW ARE CLASS MEMBERS AFFECTED BY THE CONSOLIDATED ACTION AND THE SETTLEMENT?

59. If you are a Class Member, you will be bound by any orders issued by the Court. If the Settlement is approved, the Court will enter a judgment (the "Judgment"). The Judgment will dismiss with prejudice the claims against Settling Defendants and will provide that, upon the Effective Date of the Settlement, Lead Plaintiffs and all other Class Members, on behalf of themselves, their heirs, executors, administrators, predecessors, successors, affiliates and assigns, will fully and finally release, to the fullest extent that the law permits their release in this Consolidated Action, all Settled Class Claims (as defined in ¶ 60 below).

60. "Settled Class Claims" means any and all claims, demands, rights, liabilities and causes of action of every nature and description whatsoever, whether based in law or equity, on federal, state, local, foreign, statutory or common law, or any other law, rule, or regulation (including, but not limited to, all claims arising out of or relating to any acts, omissions, disclosures, public filings, registration statements, financial statements, audit opinions, or statements by the Settling Defendants, FHFA or the Individuals, including without limitation, claims for negligence, gross negligence, constructive or actual fraud, negligent misrepresentation, conspiracy, or breach of fiduciary duty), whether known or 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 by Plaintiffs against the Released Parties arising out of, based upon, or related in any way to: (a) the purchase or acquisition of Fannie Mae common stock or call options, or the sale or disposition of Fannie Mae put options, by any Plaintiff between April 17, 2001 and December 22, 2004, the allegations that were made or could have been made in the Consolidated Action and any of the facts, transactions, events, occurrences, disclosures, statements, acts, omissions or failures to act which were or that could have been asserted by Plaintiffs in the Consolidated Action; or (b) the Settlement or resolution of the Consolidated Action (including, without limitation, any claim for attorneys' fees by Lead Plaintiffs or any Class Member) (the "Settled Class Claims"). Settled Class Claims shall also include any Unknown Claims. Unknown Claims means any claims 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 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 Parties, or might have affected his, her, its, or their decision not to object to this Settlement. Settled Class Claims also include any claims of any person or entity that submitted a request for exclusion as set forth in Appendix 1 to the Stipulation and who does not opt back into the Class. For the sake of clarity, no claims are being released with respect to securities not covered by the Court-certified Class definition. Additionally, Settled Class Claims do not include claims relating to the enforcement of the Settlement.

61. With respect to any and all Settled Class Claims, the Settling Defendants and Plaintiffs stipulate and agree that Plaintiffs shall be deemed to have expressly 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.

Plaintiffs shall expressly waive any and all provisions, rights and benefits conferred by any law, or principle of common law, which is similar, comparable or equivalent to California Civil Code § 1542. Any Plaintiff 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 Settled Class Claims, but the Plaintiffs shall have fully, finally, and forever settled and released any and all Settled Class 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. Plaintiffs acknowledge that the foregoing waiver was separately bargained for and a material element of the Settlement of which this release is a part.

* Pursuant to its Order Preliminarily Approving Proposed Settlement and Providing for Notice dated June 7, 2013, the Court is not ordering that Class Members be provided with a second opportunity to exclude themselves from the Class.

WHAT PAYMENT ARE THE ATTORNEYS FOR THE CLASS SEEKING? HOW WILL THE LAWYERS BE PAID?

62. Lead Counsel and other Lead Plaintiffs' counsel have not received any payment for their services in pursuing claims against the Settling Defendants on behalf of the Class, nor have they been reimbursed for their out-of-pocket expenses. Before final approval of the Settlement, Lead Counsel, on behalf of themselves and all other Plaintiffs' counsel will apply to the Court for an award of attorneys' fees from the Settlement Fund in the amount of 22% of the Settlement Fund, after other costs and expenses have been deducted. At the same time, Lead Counsel, on behalf of themselves and all other Plaintiffs' counsel, also intend to apply for the reimbursement of litigation expenses not to exceed \$17 million plus the costs of settlement administration, which may include

an application for reimbursement of the reasonable costs and expenses incurred by Lead Plaintiffs directly related to their representation of the Class. The Court will determine the amount of any award of attorneys' fees or reimbursement of litigation expenses. Such sums as may be approved by the Court will be paid from the Settlement Fund. Class Members are not personally liable for any such fees or expenses.

HOW DO I PARTICIPATE IN THE SETTLEMENT? WHAT DO I NEED TO DO?

63. To be eligible for a payment from the proceeds of the Settlement, you must be a member of the Class and you must timely complete and submit the Claim Form with adequate supporting documentation **no later than December 20, 2013**. A claim form shall be deemed to have been submitted when postmarked (if properly addressed and mailed by first class mail, postage prepaid). Any claim form submitted in any other manner shall be deemed to have been submitted when it was actually received at *In re Fannie Mae Securities Litigation*, c/o The Garden City Group, Inc., P.O. Box 9987, Dublin, Ohio 43017-5987. A Claim Form is included with this Notice, or you may obtain one from the website for this Consolidated Action, www.fanniemaesecuritieslitigation.com, or you may request that a Claim Form be mailed to you by calling the claims administrator, GCG, toll free at (800) 961-2373. Please retain all records of your ownership of and transactions in Fannie Mae securities, as they may be needed to document your Claim. If you are excluded from the Class by definition or you previously submitted a request for exclusion in connection with the Class Notice and do not opt-back into the Class in accordance with the instructions set forth in ¶66-69 below, or if you do not submit a timely and valid Claim Form, you will not be eligible to share in the Net Settlement Fund.

64. As a Class Member, you are represented by the Lead Plaintiffs and Lead Counsel, unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file a notice of appearance on your behalf and must serve copies of his or her notice of appearance on the attorneys listed in the section entitled, "When and Where Will the Court Decide Whether to Approve the Settlement?," below.

65. If you are a Class Member who has not previously submitted a request for exclusion in connection with the Class Notice and you wish to object to the Settlement, the proposed Plan of Allocation, or Lead Counsel's application for attorneys' fees and reimbursement of litigation expenses, you may present your objections by following the instructions in the section entitled, "When and Where Will the Court Decide Whether to Approve the Settlement?," below.

OPTING-BACK INTO THE CLASS - WHAT IF I PREVIOUSLY REQUESTED EXCLUSION FROM THE CLASS AND NOW WANT TO BE ELIGIBLE TO RECEIVE A PAYMENT FROM THE SETTLEMENT FUND? HOW DO I OPT-BACK INTO THE CLASS?

66. If you previously submitted a request for exclusion from the Class in connection with the Class Notice (see Appendix 1 to the Stipulation), you may elect to opt-back into the Class and be eligible to receive a payment from the Settlement.

67. If you believe that you previously submitted a request for exclusion but your name does not appear on Appendix 1 to the Stipulation, you can contact the claims administrator, GCG, at (800) 961-2373 for assistance.

68. In order to opt-back into the Class, you, individually or through counsel, must submit a written Request to Opt-Back Into the Class to GCG, addressed as follows: *In re Fannie Mae Securities Litigation*, c/o The Garden City Group, Inc., P.O. Box 9987, Dublin, Ohio 43017-5987. This request must be **received** no later than September 20, 2013. Your Request to Opt-Back Into the Class must (a) state the name, address and telephone number of the person or entity requesting to opt-back into the Class; (b) state that such person or entity "requests to opt-back into the Class in the *In re Fannie Mae Securities Litigation*, Civ. Action No. 04-1639 (RJL)"; and (c) be signed by the person or entity requesting to opt-back into the Class or an authorized representative.

69. You may not opt-back into the Class for the purpose of objecting to any aspect of the Settlement, Plan of Allocation, or Lead Counsel's request for attorneys' fees and reimbursement of litigation expenses.

PLEASE NOTE: OPTING-BACK INTO THE CLASS IN ACCORDANCE WITH THE REQUIREMENTS SET FORTH ABOVE DOES NOT MEAN THAT YOU WILL AUTOMATICALLY BE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU OPT-BACK INTO THE CLASS AND YOU WISH TO BE ELIGIBLE TO PARTICIPATE IN THE DISTRIBUTION OF PROCEEDS FROM THE SETTLEMENT, YOU ARE ALSO REQUIRED TO SUBMIT THE CLAIM FORM (AS OUTLINED IN ¶ 63 ABOVE) THAT IS BEING DISTRIBUTED WITH THIS NOTICE AND THE REQUIRED SUPPORTING DOCUMENTATION AS SET FORTH IN THE CLAIM FORM NO LATER THAN DECEMBER 20, 2013.

WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT? DO I HAVE TO COME TO THE HEARING? MAY I SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT?

70. Class Members do not need to attend the Settlement Fairness Hearing. The Court will consider any submission made in accordance with the provisions below even if a Class Member does not attend the hearing. You can participate in the Settlement without attending the Settlement Fairness Hearing.

71. The Settlement Fairness Hearing will be held on October 31, 2013 at 11 a.m. before the Honorable Richard J. Leon, at the E. Barrett Prettyman United States Courthouse, Courtroom 18, 333 Constitution Ave. NW, Washington, D.C. 20001. The Court reserves the right to approve the Settlement, the Plan of Allocation, Lead Counsel's motion for an award of attorneys' fees and reimbursement of litigation expenses and/or any other matter related to the Settlement at or after the Settlement Fairness Hearing without further notice to the members of the Class.

72. Any Class Member who did not submit a request for exclusion from the Class in connection with the Class Notice may object to the proposed Settlement, the proposed Plan of Allocation, or Lead Counsel's motion for an award of attorneys' fees and reimbursement of litigation expenses. Objections must be in writing. Your written objection, together with copies of all other papers and briefs supporting the objection, must be delivered by hand or sent by first class mail to the Clerk of the Court at the address set forth below and to Lead Counsel for the Class and Settling Defendants' Counsel at the addresses set forth below so that the papers are delivered or postmarked on or before September 20, 2013.

<p>Clerk's Office United States District Court District of Columbia Clerk of the Court E. Barrett Prettyman United States Courthouse 333 Constitution Ave. NW Washington, D.C. 20001</p>	<p>Lead Counsel for the Class Markovits, Stock & DeMarco, LLC W.B. Markovits, Esq. Joseph Deters, Esq. 119 E. Court St., Suite 530 Cincinnati, Ohio 45202 <i>Counsel for Lead Plaintiffs</i></p>	<p>Settling Defendants' Counsel O'Melveny & Myers LLP Jeffrey W. Kilduff 1625 Eye Street NW Washington, D.C. 20006 <i>Counsel for Fannie Mae</i> Gibson, Dunn & Crutcher LLP F. Joseph Warin 1050 Connecticut Avenue, N.W. Washington, D.C. 20036 <i>Counsel for KPMG</i></p>
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73. Any objection to the Settlement (a) must state the name, address and telephone number of the person or entity objecting and must be signed by the objector; (b) must contain a statement of the Class Member's objection or objections, and the specific reasons for each objection, including any legal and evidentiary support the Class Member wishes to bring to the Court's attention; and (c) must include documents sufficient to prove the objector's membership in the Class such as the number of shares of Fannie Mae common stock and the number of call or put options on Fannie Mae common stock that the objecting Class Member purchased, otherwise acquired, held and/or sold during the relevant periods as well as the dates and prices of each such purchase, acquisition and/or sale. You may not object to the Settlement, the Plan of Allocation or Lead Counsel's motion for attorneys' fees and reimbursement of litigation expenses if you previously submitted a request for exclusion from the Class in connection with the Class Notice or if you are not a member of the Class.

74. You may file a written objection without having to appear at the Settlement Fairness Hearing. You may not, however, appear at the Settlement Fairness Hearing to present your objection unless you first filed and served a written objection in accordance with the procedures described above, unless the Court orders otherwise.

75. If you wish to be heard orally at the hearing in opposition to the approval of the Settlement, the Plan of Allocation, or Lead Counsel's motion for an award of attorneys' fees and reimbursement of litigation expenses, and if you file and serve a timely written objection as described above, you must also file a notice of appearance with the Clerk's Office and serve it on Lead Counsel and Settling Defendants' Counsel at the addresses set forth above so that it is **received** on or before September 20, 2013. Persons who intend to object and desire to present evidence at the Settlement Fairness Hearing must include in their written objection or notice of appearance the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing. Such persons may be heard orally at the discretion of the Court.

76. You are not required to hire an attorney to represent you in making written objections or in appearing at the Settlement Fairness Hearing. However, if you decide to hire an attorney, it will be at your own expense, and that attorney must file a notice of appearance with the Court and serve it on Lead Counsel and Settling Defendants' Counsel at the addresses set forth above so that the notice is **received** on or before September 20, 2013.

77. The Settlement Fairness Hearing may be adjourned by the Court without further written notice to the Class. If you intend to attend the Settlement Fairness Hearing, you should confirm the date and time with Lead Counsel.

78. **Unless the Court orders otherwise, any Class Member who does not object in the manner described above will be deemed to have waived any objection and shall be forever foreclosed from making any objection to the proposed Settlement, the proposed Plan of Allocation, or Lead Counsel's motion for an award of attorneys' fees and reimbursement of litigation expenses. Class Members do not need to appear at the Settlement Fairness Hearing or take any other action to indicate their approval.**

WHAT IF I BOUGHT SHARES ON SOMEONE ELSE'S BEHALF?

79. In the Class Notice you were advised that, if, for the beneficial interest of any person or entity other than yourself, you purchased Fannie Mae securities, purchased call options and/or sold Fannie Mae put options during the Class Period for the beneficial interest of a person or entity other than yourself, you must within twenty (20) days of your receipt of that Notice, either (a) provide to the Notice Administrator the name and last known address of each person or entity for whom you purchased Fannie Mae common stock, purchased call options and/or sold Fannie Mae put options during the Class Period or (b) request additional copies of this Notice from the Notice Administrator, which would be provided to you free of charge, and forward this Notice directly to the beneficial owners of the securities referred to herein.

80. If you chose the first option, GCG will send a copy of the Notice and the Claim Form to the beneficial owners whose names and addresses you previously supplied. Unless you believe that you purchased, acquired or held any of the relevant securities for beneficial owners whose names you did not previously provide to GCG, you need do nothing further at this time. If you believe that you did purchase, acquire or hold any of the relevant securities for beneficial owners whose names you did not previously provide to GCG, you must within seven (7) calendar days of receipt of this Notice, provide a list of the names and addresses of all such beneficial owners to *In re Fannie Mae Securities Litigation*, c/o The Garden City Group, Inc., P.O. Box 9987, Dublin, Ohio 43017-5987. Upon full compliance with these directions, you may seek reimbursement of your reasonable expenses actually incurred, by providing GCG with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice and the Claim Form may also be obtained from the website for this Consolidated Action, www.fanniemaesecuritieslitigation.com, or by calling the claims administrator, GCG, toll-free at (800) 961-2373.

81. If you chose the second option, *i.e.*, you elected to mail the Class Notice directly to beneficial owners, you were advised that you must retain the mailing records for use in connection with any further notices that may be provided in the Consolidated Action. If you elected that option, GCG will forward the same number of this Notice and Claim Form (together, the "Notice Packet") to you to send to the beneficial owners. If you require more copies than you previously requested, please contact GCG toll-free at (800) 961-2373 and let them know how many additional Notice Packets you require. You must mail the Notice Packets to the beneficial owners within seven (7) calendar days of your receipt of the packets. Upon mailing of the Notice Packets, you may seek reimbursement of your reasonable expenses actually incurred, by providing GCG with proper documentation supporting the expenses for which reimbursement is sought.

CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

82. This Notice contains only a summary of the terms of the proposed Settlement. For more detailed information about the matters involved in this Consolidated Action, you are referred to the papers on file in the Consolidated Action, including the Stipulation, which may be inspected during regular office hours at the Office of the Clerk, United States District Court for the District of Columbia, E. Barrett Prettyman United States Courthouse, 333 Constitution Ave, NW, Washington, D.C. 20001. Additionally, copies of the Stipulation and any related orders entered by the Court will be posted on the website for this Consolidated Action, www.fanniemaesecuritieslitigation.com. All inquiries concerning this Notice or the Claim Form should be directed to GCG or Lead Counsel at:

In re Fannie Mae Securities Litigation
c/o The Garden City Group, Inc.
P.O. Box 9987
Dublin, Ohio 43017-5987
(800) 961-2373
www.fanniemaesecuritieslitigation.com

and/or

Markovits, Stock & De Marco, LLC
W. B. Markovits, Esq., Joseph Deters, Esq.
119 East Court St., Suite 530
Cincinnati, Ohio 45202
(888) 964-5832
fannie@msdlegal.com

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF COURT REGARDING THIS NOTICE.
DO NOT CALL OR WRITE FANNIE MAE AND ITS COUNSEL REGARDING THIS NOTICE.
DO NOT CALL OR WRITE FANNIE MAE OR KPMG OR THEIR COUNSEL REGARDING THE NOTICE.**

Dated: June 28, 2013

By Order of the Clerk of Court United States
District Court for the District of Columbia

Exhibit 1
Fannie Mae Inflation Per Call Option

<i>OPTION TERMS</i>		<i>INFLATION PER CALL OPTION</i>										
Expiration Date	Exercise Price	4/17/01 - 6/15/03	6/16/03 - 7/29/03	7/30/03 - 9/21/04	9/22/04	9/23/04	9/24/04 - 9/29/04	9/30/04 - 10/5/04	10/6/04	10/7/04 - 12/15/04	12/16/04 - 12/22/04	Holding Price
10/16/04	\$ 50.00	---	---	---	---	---	\$ 2.02	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 55.00	---	---	\$ 8.86	\$ 5.88	\$ 3.71	\$ 1.97	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 60.00	---	---	\$ 8.35	\$ 5.38	\$ 3.30	\$ 1.73	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 65.00	---	---	\$ 6.81	\$ 3.99	\$ 2.19	\$ 1.10	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 70.00	---	---	\$ 4.15	\$ 1.74	\$ 0.66	\$ 0.23	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 75.00	---	---	\$ 1.63	\$ 0.29	\$ 0.05	\$ 0.00	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 80.00	---	---	\$ 0.25	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 85.00	---	---	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 90.00	---	---	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 50.00	---	---	---	---	---	\$ 1.90	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 55.00	---	---	---	---	---	\$ 1.81	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 60.00	---	---	\$ 7.66	\$ 4.90	\$ 2.96	\$ 1.55	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 65.00	---	---	\$ 6.33	\$ 3.75	\$ 2.11	\$ 1.07	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 70.00	---	---	\$ 4.27	\$ 2.09	\$ 1.02	\$ 0.47	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 75.00	---	---	\$ 2.09	\$ 0.71	\$ 0.28	\$ 0.10	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 80.00	---	---	\$ 0.60	\$ 0.11	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 85.00	---	---	\$ 0.11	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 90.00	---	---	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	---	---	n/a
12/18/04	\$ 45.00	---	---	\$ 8.60	\$ 5.72	\$ 3.62	\$ 1.91	\$ 0.00	\$ 0.00	\$ 1.49	---	n/a
12/18/04	\$ 50.00	---	---	\$ 8.47	\$ 5.61	\$ 3.53	\$ 1.87	\$ 0.00	\$ 0.00	\$ 1.49	---	n/a
12/18/04	\$ 55.00	---	---	\$ 8.13	\$ 5.32	\$ 3.31	\$ 1.74	\$ 0.00	\$ 0.00	\$ 1.49	---	n/a
12/18/04	\$ 60.00	---	---	\$ 7.43	\$ 4.72	\$ 2.84	\$ 1.48	\$ 0.00	\$ 0.00	\$ 1.49	---	n/a
12/18/04	\$ 65.00	---	---	\$ 6.18	\$ 3.67	\$ 2.09	\$ 1.07	\$ 0.00	\$ 0.27	\$ 1.47	---	n/a
12/18/04	\$ 70.00	---	---	\$ 4.37	\$ 2.28	\$ 1.19	\$ 0.58	\$ 0.00	\$ 0.00	\$ 0.73	---	n/a
12/18/04	\$ 75.00	---	---	\$ 2.44	\$ 1.03	\$ 0.48	\$ 0.22	\$ 0.00	\$ 0.00	\$ 0.00	---	n/a
12/18/04	\$ 80.00	---	---	\$ 1.00	\$ 0.32	\$ 0.14	\$ 0.06	\$ 0.00	\$ 0.00	\$ 0.00	---	n/a
12/18/04	\$ 85.00	---	---	\$ 0.27	\$ 0.05	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	---	n/a
12/18/04	\$ 90.00	---	---	\$ 0.07	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	---	n/a
1/22/05	\$ 40.00	---	---	\$ 8.58	\$ 5.70	\$ 3.61	\$ 1.91	\$ 0.00	\$ 1.27	\$ 3.07	\$ 1.59	\$ 29.70

Exhibit 1
Fannie Mae Inflation Per Call Option

<i>OPTION TERMS</i>		<i>INFLATION PER CALL OPTION</i>										
Expiration Date	Exercise Price	4/17/01 - 6/15/03	6/16/03 - 7/29/03	7/30/03 - 9/21/04	9/22/04	9/23/04	9/24/04 - 9/29/04	9/30/04 - 10/5/04	10/6/04	10/7/04 - 12/15/04	12/16/04 - 12/22/04	Holding Price
1/22/05	\$ 45.00	\$ 5.56	\$ 7.61	\$ 8.48	\$ 5.63	\$ 3.56	\$ 1.88	\$ 0.00	\$ 1.38	\$ 3.08	\$ 1.59	\$ 24.70
1/22/05	\$ 50.00	\$ 5.51	\$ 7.46	\$ 8.27	\$ 5.46	\$ 3.42	\$ 1.81	\$ 0.00	\$ 1.42	\$ 3.08	\$ 1.60	\$ 19.75
1/22/05	\$ 55.00	\$ 5.31	\$ 7.13	\$ 7.87	\$ 5.12	\$ 3.17	\$ 1.66	\$ 0.00	\$ 1.44	\$ 3.01	\$ 1.55	\$ 14.80
1/22/05	\$ 60.00	\$ 4.82	\$ 6.49	\$ 7.14	\$ 4.51	\$ 2.72	\$ 1.42	\$ 0.00	\$ 1.48	\$ 2.90	\$ 1.52	\$ 9.90
1/22/05	\$ 65.00	\$ 3.94	\$ 5.43	\$ 5.98	\$ 3.59	\$ 2.08	\$ 1.07	\$ 0.00	\$ 1.49	\$ 2.64	\$ 1.40	\$ 5.20
1/22/05	\$ 70.00	\$ 2.69	\$ 4.00	\$ 4.44	\$ 2.44	\$ 1.34	\$ 0.67	\$ 0.00	\$ 0.95	\$ 1.76	\$ 0.99	\$ 1.55
1/22/05	\$ 75.00	\$ 1.36	\$ 2.48	\$ 2.83	\$ 1.37	\$ 0.71	\$ 0.34	\$ 0.00	\$ 0.03	\$ 0.50	\$ 0.29	\$ 0.18
1/22/05	\$ 80.00	\$ 0.28	\$ 1.21	\$ 1.47	\$ 0.62	\$ 0.30	\$ 0.15	\$ 0.00	\$ 0.00	\$ 0.09	\$ 0.05	\$ 0.00
1/22/05	\$ 85.00	\$ 0.00	\$ 0.44	\$ 0.64	\$ 0.25	\$ 0.13	\$ 0.06	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
1/22/05	\$ 90.00	\$ 0.00	\$ 0.08	\$ 0.22	\$ 0.07	\$ 0.03	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
1/22/05	\$ 95.00	---	---	\$ 0.06	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2/19/05	\$ 55.00	---	---	---	---	---	---	---	---	---	\$ 1.41	\$ 15.75
2/19/05	\$ 60.00	---	---	---	---	---	---	---	---	---	\$ 1.35	\$ 10.00
2/19/05	\$ 65.00	---	---	---	---	---	---	---	---	---	\$ 1.23	\$ 5.60
2/19/05	\$ 70.00	---	---	---	---	---	---	---	---	---	\$ 0.92	\$ 2.10
2/19/05	\$ 75.00	---	---	---	---	---	---	---	---	---	\$ 0.43	\$ 0.65
2/19/05	\$ 80.00	---	---	---	---	---	---	---	---	---	\$ 0.12	\$ 0.15
2/19/05	\$ 85.00	---	---	---	---	---	---	---	---	---	\$ 0.00	\$ 0.00
3/19/05	\$ 45.00	---	---	\$ 8.35	\$ 5.54	\$ 3.49	\$ 1.85	\$ 0.00	\$ 1.17	\$ 2.92	\$ 1.52	\$ 24.80
3/19/05	\$ 50.00	---	---	\$ 8.10	\$ 5.34	\$ 3.34	\$ 1.77	\$ 0.00	\$ 1.25	\$ 2.88	\$ 1.49	\$ 19.85
3/19/05	\$ 55.00	---	---	\$ 7.67	\$ 4.97	\$ 3.07	\$ 1.61	\$ 0.00	\$ 1.28	\$ 2.80	\$ 1.46	\$ 15.00
3/19/05	\$ 60.00	---	---	\$ 6.93	\$ 4.38	\$ 2.64	\$ 1.38	\$ 0.00	\$ 1.29	\$ 2.65	\$ 1.38	\$ 10.30
3/19/05	\$ 65.00	---	---	\$ 5.86	\$ 3.54	\$ 2.08	\$ 1.07	\$ 0.00	\$ 1.19	\$ 2.31	\$ 1.22	\$ 6.15
3/19/05	\$ 70.00	---	---	\$ 4.51	\$ 2.56	\$ 1.44	\$ 0.73	\$ 0.00	\$ 0.84	\$ 1.67	\$ 0.91	\$ 2.80
3/19/05	\$ 75.00	---	---	\$ 3.08	\$ 1.61	\$ 0.86	\$ 0.42	\$ 0.00	\$ 0.34	\$ 0.88	\$ 0.49	\$ 0.93
3/19/05	\$ 80.00	---	---	\$ 1.85	\$ 0.88	\$ 0.45	\$ 0.21	\$ 0.00	\$ 0.00	\$ 0.30	\$ 0.17	\$ 0.20
3/19/05	\$ 85.00	---	---	\$ 0.94	\$ 0.40	\$ 0.20	\$ 0.10	\$ 0.00	\$ 0.00	\$ 0.08	\$ 0.04	\$ 0.00
3/19/05	\$ 90.00	---	---	\$ 0.43	\$ 0.18	\$ 0.09	\$ 0.04	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
3/19/05	\$ 95.00	---	---	\$ 0.15	\$ 0.04	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Exhibit 1
Fannie Mae Inflation Per Call Option

<i>OPTION TERMS</i>		<i>INFLATION PER CALL OPTION</i>										
Expiration Date	Exercise Price	4/17/01 - 6/15/03	6/16/03 - 7/29/03	7/30/03 - 9/21/04	9/22/04	9/23/04	9/24/04 - 9/29/04	9/30/04 - 10/5/04	10/6/04	10/7/04 - 12/15/04	12/16/04 - 12/22/04	Holding Price
6/18/05	\$ 55.00	---	---	---	---	---	---	---	---	\$ 2.68	\$ 1.40	\$ 15.40
6/18/05	\$ 60.00	---	---	---	---	---	---	---	---	\$ 2.49	\$ 1.31	\$ 11.00
6/18/05	\$ 65.00	---	---	---	---	---	---	---	---	\$ 2.15	\$ 1.14	\$ 7.20
6/18/05	\$ 70.00	---	---	---	---	---	---	---	---	\$ 1.66	\$ 0.89	\$ 4.00
6/18/05	\$ 75.00	---	---	---	---	---	---	---	---	\$ 1.09	\$ 0.59	\$ 1.90
6/18/05	\$ 80.00	---	---	---	---	---	---	---	---	\$ 0.58	\$ 0.31	\$ 0.75
6/18/05	\$ 85.00	---	---	---	---	---	---	---	---	\$ 0.26	\$ 0.13	\$ 0.25
1/21/06	\$ 40.00	---	\$ 7.06	\$ 7.93	\$ 5.25	\$ 3.30	\$ 1.75	\$ 0.00	\$ 1.07	\$ 2.77	\$ 1.44	\$ 29.90
1/21/06	\$ 50.00	---	\$ 6.62	\$ 7.39	\$ 4.82	\$ 3.00	\$ 1.58	\$ 0.00	\$ 1.15	\$ 2.61	\$ 1.36	\$ 20.80
1/21/06	\$ 55.00	---	\$ 6.19	\$ 6.89	\$ 4.44	\$ 2.74	\$ 1.44	\$ 0.00	\$ 1.11	\$ 2.46	\$ 1.28	\$ 16.60
1/21/06	\$ 60.00	---	\$ 5.62	\$ 6.26	\$ 3.97	\$ 2.42	\$ 1.27	\$ 0.00	\$ 1.04	\$ 2.25	\$ 1.18	\$ 12.85
1/21/06	\$ 65.00	---	\$ 4.93	\$ 5.49	\$ 3.42	\$ 2.06	\$ 1.08	\$ 0.00	\$ 0.94	\$ 1.99	\$ 1.05	\$ 9.40
1/21/06	\$ 70.00	---	\$ 4.15	\$ 4.64	\$ 2.82	\$ 1.67	\$ 0.87	\$ 0.00	\$ 0.79	\$ 1.67	\$ 0.89	\$ 6.55
1/21/06	\$ 75.00	---	\$ 3.34	\$ 3.76	\$ 2.22	\$ 1.29	\$ 0.67	\$ 0.00	\$ 0.62	\$ 1.32	\$ 0.71	\$ 4.25
1/21/06	\$ 80.00	---	\$ 2.57	\$ 2.92	\$ 1.67	\$ 0.96	\$ 0.48	\$ 0.00	\$ 0.45	\$ 0.98	\$ 0.52	\$ 2.58
1/21/06	\$ 85.00	---	---	\$ 2.16	\$ 1.20	\$ 0.68	\$ 0.35	\$ 0.00	\$ 0.28	\$ 0.67	\$ 0.36	\$ 1.45
1/21/06	\$ 90.00	---	---	\$ 1.55	\$ 0.83	\$ 0.47	\$ 0.23	\$ 0.00	\$ 0.15	\$ 0.44	\$ 0.23	\$ 0.83
1/21/06	\$ 95.00	---	---	\$ 1.06	\$ 0.55	\$ 0.30	\$ 0.15	\$ 0.00	\$ 0.08	\$ 0.28	\$ 0.15	\$ 0.48
1/20/07	\$ 50.00	---	---	\$ 6.93	\$ 4.51	\$ 2.81	\$ 1.49	\$ 0.00	\$ 1.08	\$ 2.45	\$ 1.27	\$ 21.75
1/20/07	\$ 60.00	---	---	\$ 5.95	\$ 3.80	\$ 2.34	\$ 1.23	\$ 0.00	\$ 0.96	\$ 2.13	\$ 1.11	\$ 14.60
1/20/07	\$ 70.00	---	---	\$ 4.72	\$ 2.94	\$ 1.77	\$ 0.93	\$ 0.00	\$ 0.78	\$ 1.69	\$ 0.89	\$ 9.00
1/20/07	\$ 80.00	---	---	\$ 3.43	\$ 2.06	\$ 1.22	\$ 0.63	\$ 0.00	\$ 0.55	\$ 1.20	\$ 0.64	\$ 5.00
1/20/07	\$ 90.00	---	---	\$ 2.28	\$ 1.32	\$ 0.77	\$ 0.39	\$ 0.00	\$ 0.33	\$ 0.76	\$ 0.40	\$ 2.63

Exhibit 2
Fannie Mae Deflation Per Put Option

<i>OPTION TERMS</i>		<i>DEFLATION PER PUT OPTION</i>										
Expiration Date	Exercise Price	4/17/01 - 6/15/03	6/16/03 - 7/29/03	7/30/03 - 9/21/04	9/22/04	9/23/04	9/24/04 - 9/29/04	9/30/04 - 10/5/04	10/6/04	10/7/04 - 12/15/04	12/16/04 - 12/22/04	Holding Price
10/16/04	\$ 50.00	---	---	---	---	---	\$ 0.00	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 55.00	---	---	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.10	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 60.00	---	---	\$ 0.69	\$ 0.69	\$ 0.56	\$ 0.30	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 65.00	---	---	\$ 2.26	\$ 2.08	\$ 1.65	\$ 0.94	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 70.00	---	---	\$ 4.95	\$ 4.33	\$ 3.18	\$ 1.83	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 75.00	---	---	\$ 7.40	\$ 5.70	\$ 3.72	\$ 2.04	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 80.00	---	---	\$ 8.87	\$ 5.99	\$ 3.76	\$ 2.04	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 85.00	---	---	\$ 8.98	\$ 6.00	\$ 3.77	\$ 2.04	\$ 0.00	\$ 0.00	---	---	n/a
10/16/04	\$ 90.00	---	---	\$ 8.98	\$ 6.00	\$ 3.77	\$ 2.04	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 50.00	---	---	---	---	---	\$ 0.09	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 55.00	---	---	---	---	---	\$ 0.21	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 60.00	---	---	\$ 1.27	\$ 1.12	\$ 0.88	\$ 0.49	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 65.00	---	---	\$ 2.65	\$ 2.29	\$ 1.72	\$ 0.96	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 70.00	---	---	\$ 4.69	\$ 3.87	\$ 2.72	\$ 1.52	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 75.00	---	---	\$ 6.74	\$ 5.10	\$ 3.36	\$ 1.83	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 80.00	---	---	\$ 8.04	\$ 5.59	\$ 3.56	\$ 1.91	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 85.00	---	---	\$ 8.50	\$ 5.70	\$ 3.61	\$ 1.93	\$ 0.00	\$ 0.00	---	---	n/a
11/20/04	\$ 90.00	---	---	\$ 8.60	\$ 5.74	\$ 3.62	\$ 1.94	\$ 0.00	\$ 0.00	---	---	n/a
12/18/04	\$ 45.00	---	---	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.06	\$ 0.00	\$ 0.00	\$ 0.00	---	n/a
12/18/04	\$ 50.00	---	---	\$ 0.28	\$ 0.28	\$ 0.23	\$ 0.13	\$ 0.00	\$ 0.00	\$ 0.00	---	n/a
12/18/04	\$ 55.00	---	---	\$ 0.73	\$ 0.64	\$ 0.50	\$ 0.28	\$ 0.00	\$ 0.00	\$ 0.00	---	n/a
12/18/04	\$ 60.00	---	---	\$ 1.51	\$ 1.30	\$ 0.98	\$ 0.55	\$ 0.00	\$ 0.00	\$ 0.00	---	n/a
12/18/04	\$ 65.00	---	---	\$ 2.82	\$ 2.36	\$ 1.72	\$ 0.96	\$ 0.00	\$ 0.00	\$ 0.00	---	n/a
12/18/04	\$ 70.00	---	---	\$ 4.63	\$ 3.73	\$ 2.60	\$ 1.44	\$ 0.00	\$ 0.00	\$ 0.76	---	n/a
12/18/04	\$ 75.00	---	---	\$ 6.51	\$ 4.90	\$ 3.25	\$ 1.76	\$ 0.00	\$ 0.07	\$ 1.45	---	n/a
12/18/04	\$ 80.00	---	---	\$ 7.85	\$ 5.52	\$ 3.54	\$ 1.90	\$ 0.00	\$ 0.00	\$ 1.46	---	n/a
12/18/04	\$ 85.00	---	---	\$ 8.42	\$ 5.68	\$ 3.60	\$ 1.94	\$ 0.00	\$ 0.00	\$ 1.45	---	n/a
12/18/04	\$ 90.00	---	---	\$ 8.61	\$ 5.74	\$ 3.61	\$ 1.94	\$ 0.00	\$ 0.00	\$ 1.45	---	n/a
1/22/05	\$ 40.00	---	---	\$ 0.14	\$ 0.10	\$ 0.08	\$ 0.04	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Exhibit 2
Fannie Mae Deflation Per Put Option

<i>OPTION TERMS</i>		<i>DEFLATION PER PUT OPTION</i>										
Expiration Date	Exercise Price	4/17/01 - 6/15/03	6/16/03 - 7/29/03	7/30/03 - 9/21/04	9/22/04	9/23/04	9/24/04 - 9/29/04	9/30/04 - 10/5/04	10/6/04	10/7/04 - 12/15/04	12/16/04 - 12/22/04	Holding Price
1/22/05	\$ 45.00	\$ 0.00	\$ 0.08	\$ 0.25	\$ 0.20	\$ 0.16	\$ 0.09	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
1/22/05	\$ 50.00	\$ 0.00	\$ 0.26	\$ 0.50	\$ 0.42	\$ 0.31	\$ 0.18	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
1/22/05	\$ 55.00	\$ 0.07	\$ 0.62	\$ 0.95	\$ 0.80	\$ 0.59	\$ 0.33	\$ 0.00	\$ 0.00	\$ 0.04	\$ 0.00	\$ 0.10
1/22/05	\$ 60.00	\$ 0.62	\$ 1.33	\$ 1.75	\$ 1.45	\$ 1.06	\$ 0.59	\$ 0.00	\$ 0.00	\$ 0.15	\$ 0.06	\$ 0.18
1/22/05	\$ 65.00	\$ 1.56	\$ 2.44	\$ 2.97	\$ 2.41	\$ 1.72	\$ 0.95	\$ 0.00	\$ 0.00	\$ 0.44	\$ 0.19	\$ 0.48
1/22/05	\$ 70.00	\$ 2.87	\$ 3.94	\$ 4.58	\$ 3.60	\$ 2.49	\$ 1.37	\$ 0.00	\$ 0.34	\$ 1.32	\$ 0.61	\$ 1.80
1/22/05	\$ 75.00	\$ 4.22	\$ 5.50	\$ 6.23	\$ 4.67	\$ 3.11	\$ 1.69	\$ 0.00	\$ 1.27	\$ 2.58	\$ 1.33	\$ 5.40
1/22/05	\$ 80.00	\$ 5.26	\$ 6.73	\$ 7.56	\$ 5.38	\$ 3.47	\$ 1.86	\$ 0.00	\$ 1.49	\$ 3.03	\$ 1.58	\$ 10.38
1/22/05	\$ 85.00	\$ 5.77	\$ 7.43	\$ 8.34	\$ 5.69	\$ 3.61	\$ 1.93	\$ 0.00	\$ 1.40	\$ 3.03	\$ 1.58	\$ 15.40
1/22/05	\$ 90.00	\$ 5.82	\$ 7.65	\$ 8.63	\$ 5.76	\$ 3.63	\$ 1.95	\$ 0.00	\$ 1.44	\$ 3.07	\$ 1.58	\$ 20.40
1/22/05	\$ 95.00	---	---	\$ 8.70	\$ 5.78	\$ 3.65	\$ 1.95	\$ 0.00	\$ 1.40	\$ 3.07	\$ 1.58	\$ 25.40
2/19/05	\$ 55.00	---	---	---	---	---	---	---	---	---	\$ 0.06	\$ 0.15
2/19/05	\$ 60.00	---	---	---	---	---	---	---	---	---	\$ 0.11	\$ 0.35
2/19/05	\$ 65.00	---	---	---	---	---	---	---	---	---	\$ 0.28	\$ 0.88
2/19/05	\$ 70.00	---	---	---	---	---	---	---	---	---	\$ 0.66	\$ 2.30
2/19/05	\$ 75.00	---	---	---	---	---	---	---	---	---	\$ 1.23	\$ 6.10
2/19/05	\$ 80.00	---	---	---	---	---	---	---	---	---	\$ 1.60	\$ 10.85
2/19/05	\$ 85.00	---	---	---	---	---	---	---	---	---	\$ 1.60	\$ 15.60
3/19/05	\$ 45.00	---	---	\$ 0.35	\$ 0.30	\$ 0.23	\$ 0.13	\$ 0.00	\$ 0.00	\$ 0.06	\$ 0.03	\$ 0.13
3/19/05	\$ 50.00	---	---	\$ 0.68	\$ 0.56	\$ 0.41	\$ 0.23	\$ 0.00	\$ 0.00	\$ 0.09	\$ 0.04	\$ 0.23
3/19/05	\$ 55.00	---	---	\$ 1.19	\$ 0.97	\$ 0.71	\$ 0.39	\$ 0.00	\$ 0.00	\$ 0.19	\$ 0.10	\$ 0.40
3/19/05	\$ 60.00	---	---	\$ 1.99	\$ 1.60	\$ 1.15	\$ 0.63	\$ 0.00	\$ 0.00	\$ 0.38	\$ 0.18	\$ 0.80
3/19/05	\$ 65.00	---	---	\$ 3.10	\$ 2.44	\$ 1.71	\$ 0.94	\$ 0.00	\$ 0.11	\$ 0.76	\$ 0.37	\$ 1.65
3/19/05	\$ 70.00	---	---	\$ 4.44	\$ 3.41	\$ 2.33	\$ 1.27	\$ 0.00	\$ 0.46	\$ 1.40	\$ 0.68	\$ 3.30
3/19/05	\$ 75.00	---	---	\$ 5.84	\$ 4.32	\$ 2.87	\$ 1.56	\$ 0.00	\$ 0.96	\$ 2.17	\$ 1.09	\$ 6.50
3/19/05	\$ 80.00	---	---	\$ 7.01	\$ 5.00	\$ 3.24	\$ 1.75	\$ 0.00	\$ 1.30	\$ 2.72	\$ 1.40	\$ 10.85
3/19/05	\$ 85.00	---	---	\$ 7.84	\$ 5.41	\$ 3.46	\$ 1.85	\$ 0.00	\$ 1.32	\$ 2.86	\$ 1.47	\$ 15.70
3/19/05	\$ 90.00	---	---	\$ 8.27	\$ 5.59	\$ 3.54	\$ 1.89	\$ 0.00	\$ 1.32	\$ 2.91	\$ 1.51	\$ 20.65
3/19/05	\$ 95.00	---	---	\$ 8.46	\$ 5.65	\$ 3.57	\$ 1.91	\$ 0.00	\$ 1.28	\$ 2.90	\$ 1.50	\$ 25.70

Exhibit 2
Fannie Mae Deflation Per Put Option

<i>OPTION TERMS</i>		<i>DEFLATION PER PUT OPTION</i>										
Expiration Date	Exercise Price	4/17/01 - 6/15/03	6/16/03 - 7/29/03	7/30/03 - 9/21/04	9/22/04	9/23/04	9/24/04 - 9/29/04	9/30/04 - 10/5/04	10/6/04	10/7/04 - 12/15/04	12/16/04 - 12/22/04	Holding Price
6/18/05	\$ 55.00	---	---	---	---	---	---	---	---	\$ 0.32	\$ 0.16	\$ 0.90
6/18/05	\$ 60.00	---	---	---	---	---	---	---	---	\$ 0.54	\$ 0.26	\$ 1.58
6/18/05	\$ 65.00	---	---	---	---	---	---	---	---	\$ 0.89	\$ 0.44	\$ 2.75
6/18/05	\$ 70.00	---	---	---	---	---	---	---	---	\$ 1.38	\$ 0.68	\$ 4.60
6/18/05	\$ 75.00	---	---	---	---	---	---	---	---	\$ 1.94	\$ 0.98	\$ 7.50
6/18/05	\$ 80.00	---	---	---	---	---	---	---	---	\$ 2.43	\$ 1.25	\$ 11.30
6/18/05	\$ 85.00	---	---	---	---	---	---	---	---	\$ 2.72	\$ 1.41	\$ 15.80
1/21/06	\$ 40.00	---	\$ 0.37	\$ 0.52	\$ 0.40	\$ 0.28	\$ 0.16	\$ 0.00	\$ 0.02	\$ 0.13	\$ 0.07	\$ 0.63
1/21/06	\$ 50.00	---	\$ 0.97	\$ 1.23	\$ 0.94	\$ 0.65	\$ 0.36	\$ 0.00	\$ 0.07	\$ 0.33	\$ 0.17	\$ 1.48
1/21/06	\$ 55.00	---	\$ 1.45	\$ 1.78	\$ 1.35	\$ 0.92	\$ 0.50	\$ 0.00	\$ 0.13	\$ 0.50	\$ 0.25	\$ 2.28
1/21/06	\$ 60.00	---	\$ 2.05	\$ 2.46	\$ 1.85	\$ 1.26	\$ 0.69	\$ 0.00	\$ 0.21	\$ 0.72	\$ 0.36	\$ 3.35
1/21/06	\$ 65.00	---	\$ 2.77	\$ 3.26	\$ 2.42	\$ 1.64	\$ 0.89	\$ 0.00	\$ 0.32	\$ 1.00	\$ 0.50	\$ 4.85
1/21/06	\$ 70.00	---	\$ 3.57	\$ 4.14	\$ 3.04	\$ 2.03	\$ 1.10	\$ 0.00	\$ 0.47	\$ 1.33	\$ 0.67	\$ 6.90
1/21/06	\$ 75.00	---	\$ 4.38	\$ 5.04	\$ 3.64	\$ 2.41	\$ 1.31	\$ 0.00	\$ 0.65	\$ 1.68	\$ 0.85	\$ 9.55
1/21/06	\$ 80.00	---	\$ 5.16	\$ 5.87	\$ 4.18	\$ 2.74	\$ 1.48	\$ 0.00	\$ 0.84	\$ 2.03	\$ 1.03	\$ 12.80
1/21/06	\$ 85.00	---	---	\$ 6.60	\$ 4.63	\$ 3.00	\$ 1.61	\$ 0.00	\$ 0.98	\$ 2.32	\$ 1.19	\$ 16.65
1/21/06	\$ 90.00	---	---	\$ 7.17	\$ 4.95	\$ 3.18	\$ 1.70	\$ 0.00	\$ 1.09	\$ 2.52	\$ 1.29	\$ 21.00
1/21/06	\$ 95.00	---	---	\$ 7.61	\$ 5.20	\$ 3.32	\$ 1.77	\$ 0.00	\$ 1.13	\$ 2.63	\$ 1.36	\$ 25.75
1/20/07	\$ 50.00	---	---	\$ 1.49	\$ 1.10	\$ 0.74	\$ 0.40	\$ 0.00	\$ 0.13	\$ 0.43	\$ 0.22	\$ 2.68
1/20/07	\$ 60.00	---	---	\$ 2.53	\$ 1.85	\$ 1.24	\$ 0.67	\$ 0.00	\$ 0.26	\$ 0.77	\$ 0.39	\$ 5.15
1/20/07	\$ 70.00	---	---	\$ 3.79	\$ 2.73	\$ 1.81	\$ 0.98	\$ 0.00	\$ 0.45	\$ 1.23	\$ 0.62	\$ 8.90
1/20/07	\$ 80.00	---	---	\$ 5.09	\$ 3.60	\$ 2.35	\$ 1.27	\$ 0.00	\$ 0.69	\$ 1.71	\$ 0.87	\$ 14.60
1/20/07	\$ 90.00	---	---	\$ 6.18	\$ 4.28	\$ 2.75	\$ 1.47	\$ 0.00	\$ 0.91	\$ 2.14	\$ 1.09	\$ 21.85