INVESTORS UNITE

Summary of Key Facts in Complaints Demanding Books and Records of Fannie Mae and Freddie Mac

Background of the conservatorship and Net Worth Sweep

- At the height of the 2008 financial crisis, the Housing and Economic Recovery Act (HERA) was enacted and the two privately-held, government-chartered mortgage finance companies were put into conservatorship under the authority of the Federal Housing Finance Agency (FHFA).

- In 2012, when the companies were again profitable, the U.S. Department of the Treasury amended the terms of its investments in Fannie Mae and Freddie Mac for a third time to implement the "Net Worth Sweep." Under the Net Worth Sweep, both companies are compelled to turn over their earnings to Treasury on a quarterly basis.

- Individual investors and groups of investors have filed several suits in the federal court alleging the Sweep violated HERA, the United States Constitution, or other laws.

Complaints in Delaware against Fannie Mae and in Virginia against Freddie Mac

- The conservatorship notwithstanding, Fannie Mae and Freddie Mac are private companies, and their boards, and FHFA as conservator, remain governed by Delaware corporate law in the case of Fannie Mae and Virginia corporate law in the case of Freddie Mac.

- Fannie Mae and its Board are therefore subject to Section 220 of the Delaware General Corporation Law ("DGCL"), and Freddie Mac and its Board are subject to Section 13.1-771 of the Virginia Stock Corporation Act, both of which allow a stockholder to inspect books and records of a corporation for proper purposes related to the stockholder's holdings.

- Mr. Pagliara submitted written demands (the "Demands") on the boards of Fannie Mae and Freddie Mac to inspect books and records of each company. His Demands are fully consistent with the requirements of Section 220 of DGCL and Section 13.1-771 of the VSCA.

- Mr. Pagliara's Demands were improperly rejected, and his complaints in Delaware (against Fannie Mae) and in Virginia (against Freddie Mac) seek to enforce his rights as a stockholder to inspect the requested records.

- The books and records sought will enable Mr. Pagliara to investigate actions of both boards of directors and assess potential claims against the boards and others, discuss possible options with other Fannie Mae and Freddie Mac stockholders and value his stock in Fannie Mae and Freddie Mac.

- Among other things, Mr. Pagliara seeks to investigate whether the boards breached their fiduciary duties of loyalty when they expressly approved or simply failed to oppose the third amendment of Treasury's rights (the Third Amendment) creating the Net Worth Sweep and the dividends paid under the Net Worth Sweep, because the Third Amendment and dividends constituted unfair transactions with Fannie Mae's and Freddie Mac's controlling stockholder, the Treasury.

- Mr. Pagliara also seeks to investigate certain statutory violations in the Third Amendment and the Net Worth Sweep.

- The Complaints set forth Mr. Pagliara's basis for belief that wrongdoing has occurred, which requires investigation and inspection of the requested records.