

UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA

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SECURITIES AND EXCHANGE		:
COMMISSION,		:
		:
Plaintiff,		:
		:
v.		:
		:
FEDERAL NATIONAL MORTGAGE		:
ASSOCIATION,		:
		:
Defendant.		:
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1:06-cv-00959 (RJL)

**[PROPOSED] ORDER GRANTING PLAINTIFF’S UNOPPOSED
MOTION FOR CREATION OF A FAIR FUND, APPROVAL OF A
DISTRIBUTION PLAN AND APPOINTMENT OF A DISTRIBUTION AGENT**

WHEREAS, the Court, having reviewed the Unopposed Motion By Plaintiff Securities and Exchange Commission For Creation Of A Fair Fund, Approval Of A Distribution Plan, And Appointment Of A Distribution Agent, the memorandum of law filed in support thereof, the declarations of Gerald B. Lumer and James F. Blayney and the exhibits attached thereto, and for good cause shown,

I.

IT IS HEREBY ORDERED that the Motion is granted and a Fair Fund Distribution Fund (“Fair Fund”), in accordance with Section 308(a) of the Sarbanes-Oxley Act, is hereby created and shall be comprised of and include the entire amount contained in the Court’s registry (“Settlement Amount”) established by the Clerk of the Court in this matter, minus appropriate expenses incurred in establishing and maintaining the account. Specifically, the Settlement Amount includes:

- a. the disgorgement and civil penalty, totaling \$350,000,001, deposited into the Court's registry by the defendant, Federal National Mortgage Association, and any other funds which may be paid into such account by any other defendant in a related action.
- b. plus post-judgment interest earned by the Settlement Amount in the Court's registry; and
- c. minus appropriate administrative expenses that the Clerk of the Court shall withhold and any taxes requested by the Tax Administrator prior to delivery of the Fair Fund to the Distribution Agent. The Clerk of the Court is authorized to tender to the Tax Administrator funds necessary to pay taxes requested by the Tax Administrator and approved by the SEC staff prior to delivery of the Fair Fund to the Distribution Agent without further order of this Court.

II.

IT IS FURTHER ORDERED that the Commission's plan for distributing the Fair Fund ("Distribution Plan"), being fair and reasonable, is approved and authorized in all respects. The assets of the Fair Fund shall remain in custodia legis of the Court.

III.

IT IS FURTHER ORDERED that Rust Consulting, Inc. ("Rust Consulting") is appointed Distribution Agent over the Fair Fund with all of the powers and duties enumerated in the Distribution Plan.

IV.

IT IS FURTHER ORDERED that all nominees that hold Federal National Mortgage Association common or Class N preferred stock purchased between January 14, 1999 and the close of the markets on December 22, 2004, as nominee for a beneficial owner, shall within ten days after receiving a Notice and a Proof of Claim Form from the Distribution Agent, either: (1) send a copy of the Notice and Proof of Claim Form to all such owners via First Class mail; or (2) provide a list of the names and addresses of such owners to the Distribution Agent. The Distribution Agent will provide as many additional copies of these documents to the nominee as they need to complete the mailing. The Distribution Agent will, upon receiving appropriate documentation, reimburse reasonable administration costs incurred in connection with forwarding the documents to the beneficial owners.

V.

IT IS FURTHER ORDERED that Rust Consulting will hire an independent outside accounting firm, at its own expense, to perform three independent tests of valid claims, during the distribution process, in accordance with the Distribution Plan.

VI.

IT IS FURTHER ORDERED that, in accordance with the Distribution Plan and in reliance upon the declaration of James F. Blayney, Rust Consulting shall forfeit ten percent of all fees billed, net of charges and out-of-pocket expenses, during the distribution process if the Fair Fund is not distributed to all eligible claimants within one hundred eighty days following the entry by the Court of an order approving the Distribution Plan. Certain types of delays, beyond the control of the Distribution Agent,

are specifically enumerated in the Distribution Plan and shall not be counted against Rust Consulting.

VII.

IT IS FURTHER ORDERED that, after all distribution procedures are complete and all costs and tax payments relating to the Fair Fund are paid, to the extent there are any funds remaining in the Fair Fund, Rust Consulting will promptly transfer those unclaimed or unallocated monies to the Commission, which in turn will pay those funds to the U.S. Treasury. Such transfer by the Distribution Agent shall be: (i) made by United States postal money order, certified check, bank cashier's check or bank money order; (ii) made payable to the Commission; (iii) hand-delivered or mailed to the office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Alexandria, Stop 0-3, VA 22312; and (iv) submitted under cover letter that identifies the caption and file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Jordan A. Thomas, Assistant Chief Litigation Counsel, United States Securities and Exchange Commission, Division of Enforcement—Trial Unit, 100 F. St., N.E., Washington, D.C. 20549-4030.

VIII.

IT IS FURTHER ORDERED that the Distribution Agent may, after consulting with and receiving the consent of the Commission, modify this procedure to affect the general purposes of this Order.

IX.

IT IS FURTHER ORDERED that, the Distribution Agent and the Distribution Agent's designees, agents and assistants are excused from any requirement to post a bond, and

shall not be liable to any person for their actions hereunder, except on a finding of misfeasance, gross negligence or reckless disregard of duty.

X.

IT IS FURTHER ORDERED that the Clerk of the Court shall promptly transfer all monies in the Fair Fund, less any lawful fees, and tax payments requested by the Tax Administrator to the Distribution Agent, Rust Consulting, in such amounts and manner as the firm shall designate in writing.

Dated: _____

UNITED STATES DISTRICT JUDGE