

By Electronic Mail and Hand-Delivery  
May 19, 2006

Honorable Warren B. Rudman  
Paul, Weiss, Rifkind,  
Wharton & Garrison LLP  
1615 L Street, N.W.  
Suite 1300  
Washington, D.C. 20036

Re: Response by Roger Barnes to Report by Paul, Weiss, Rifkind, Wharton & Garrison, LLP, on Accounting Irregularities at Fannie Mae

Dear Senator Rudman:

We represent Roger Barnes with respect to all matters pertaining to his former employment with the Federal National Mortgage Association (“Fannie Mae”), including the allegations he has made concerning the accounting improprieties at Fannie Mae. I am writing to note Mr. Barnes’ serious objections to several aspects of the Report to the Special Review Committee of the Board of Directors of Fannie Mae by Paul, Weiss, Rifkind, Wharton & Garrison LLP, on Accounting Irregularities at Fannie Mae (Feb. 23, 2006) (“Report” or “Rudman Report”) – most notably, to the skewed and stereotypical portrayal made of Mr. Barnes.<sup>1</sup> Your investigators did not question Mr. Barnes about many of the issues concerning his employment and his allegations, which resulted in Fannie Mae’s accounting restatement. Nor

---

<sup>1</sup> As discussed in further detail below, the Report suggests that Mr. Barnes raised unsubstantiated claims of discrimination against Fannie Mae and then made his allegations regarding accounting improprieties at the Company only after he became upset that he had been passed over for a desired promotion. See Defendant Fannie Mae’s Memorandum of Law in Support of its Motion to Dismiss the Consolidated Class Action Complaint, appended to Letter from K. Downey to W. Rudman (Oct. 20, 2005), Supplemental Appendix to Report at 1351. Not only is such a characterization refuted by the record evidence, but it plays into the worst stereotypes of whistleblowers as nothing more than disgruntled employees. See, e.g., Kathleen Day, “Whistle-Stop Campaigns: Some Firms Are Trying to Limit Protection of Workers Who Expose Wrongdoing,” Washington Post, April 23, 2006, p. F1; Todd Wilkinson, “Whistleblowers,” SEJ Journal, Winter 1999, p. 17. By disparaging conscientious employees, like Mr. Barnes, who show the moral fortitude to raise concerns about corporate misconduct, your Report will contribute to an environment in which employees are fearful of coming forward, and make corporate scandals of the magnitude we have seen in recent years at Enron, MCI and Fannie Mae more likely to occur.

Honorable Warren B. Rudman  
May 19, 2006  
Page 2

did your team give him an opportunity to comment on the Special Review Committee's findings prior to issuing the Report, despite the fact that the Report contains 336 references to him.<sup>2</sup> In contrast, your team permitted Franklin Raines, former Chairman and Chief Executive Officer, to append a lengthy submission, which included a legal memorandum that branded Mr. Barnes a "disgruntled employee" and impugned his integrity.<sup>3</sup> This report was made available on your firm's website and received massive press coverage, which unfortunately repeated many of the Company's most pernicious and unfair characterizations of Mr. Barnes.

Fannie Mae previously threatened Mr. Barnes with legal action for answering a New York Times reporter's question regarding the Office of Federal Housing Enterprise Oversight ("OFHEO") report. See Letter from Debra S. Katz to Juanita Crowley, dated September 28, 2004, attached and incorporated herein Exhibit 1. And despite all that is now in the public record about Mr. Barnes and his allegations, the Company continues to refuse to let Mr. Barnes speak publicly about his allegations or to refute the disparaging statements it has made about him. See Letter from Juanita Crowley to Debra Katz (September 29, 2004), attached and incorporated herein as Exhibit 2, and Letter from Amy Wigmore to Debra S. Katz (February 28, 2004), attached and incorporated herein as Exhibit 3.<sup>4</sup> Apparently, Fannie Mae expects Mr. Barnes to sit idly and quietly by while the Company – and now the Rudman Report – disparage and malign him. This he is no longer willing to do.

Accordingly, I write to request that you add this letter to the Rudman Report as a Supplemental Appendix and that you make it available immediately on your firm's website and on the Fannie Mae website.

---

<sup>2</sup>Only Franklin Raines, the Company's Chief Executive Officer, was mentioned more times, with 526 references.

<sup>3</sup>See Letter from K. Downey to W. Rudman (Oct. 20, 2005), attached as Supplemental Appendix to Report at 1351.

<sup>4</sup>By letter to Fannie Mae's counsel dated September 28, 2004 (Exhibit 1), I wrote:

"As you are aware, on September 17, 2004, The Office of Federal Housing Enterprise Oversight issued a Report of Findings to Date: Special Examination of Fannie Mae – a report that has widely been quoted in the press and is available in its entirety on the internet. Given this climate, we believe that paragraph 14 of the Settlement Agreement should be modified to delete the phrase 'the allegations that he has raised' from the list of matters that cannot be disclosed." The following day, counsel for Fannie Mae wrote stating: "Fannie Mae declines your request..." See Exhibit 2.