

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): **December 31, 2009**

**MFA FINANCIAL, INC.**  
(Exact Name of Registrant as Specified in Charter)

**Maryland**  
(State or Other Jurisdiction  
of Incorporation)

**1-13991**  
(Commission  
File No.)

**13-3974868**  
(IRS Employer  
Identification No.)

**350 Park Avenue, 21<sup>st</sup> Floor, New York, New York 10022**  
(Address of Principal Executive Office) (Zip Code)

Registrant's Telephone Number, Including Area Code: **(212) 207-6400**

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**ITEM 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On January 1, 2010, the Board of Directors (the “Board”) of MFA Financial, Inc., a Maryland corporation (the “Company”), approved the recommendations of the Nominating and Corporate Governance Committee that the size of the Board be expanded from seven to eight members and that, effective January 4, 2010, Robin Josephs be elected as a new director to fill the resulting vacancy. Robin Josephs was elected as a Class II director of the Board, whose term will expire at the 2012 annual meeting of stockholders at which time it is expected that she will stand for re-election by the Company’s stockholders. The Board appointed Ms. Josephs to serve as a member of the Audit Committee of the Board until the 2010 annual meeting of the Board.

There are no arrangements or understandings between Ms. Josephs and any other person pursuant to which she was elected. There are no transactions involving the Company and Ms. Josephs that would be required to be reported pursuant to Item 404(a) of Regulation S-K.

Ms. Josephs will receive the same compensation for her service as received by all non-employee directors of the Company. On January 1, 2010, the Board approved the recommendation of its Compensation Committee to amend certain aspects of the annual compensation package paid to its non-employee directors. Effective January 1, 2010, the annual cash compensation paid to the Company’s non-employee directors will be as follows: (i) the annual retainer for all non-employee directors will continue to be \$60,000 per year; (ii) the annual chair fee paid to the Chairman of the Audit Committee will continue to be \$12,500 per year; (iii) the annual chair fee paid to the Chairman of each of the Compensation Committee and the Nominating and Corporate Governance Committee will continue to be \$7,500 per year; and (iv) to the extent the position is approved and confirmed by the Board and a director is appointed by the Board, the annual fee paid to the Lead Director (if appointed) will be \$7,500 per year. In addition, the Board approved, pursuant to the Company’s 2004 Equity Compensation Plan, (a) an increase in the annual grant of equity compensation to each non-employee director from 2,500 restricted shares of common stock, \$0.01 par value per share (the “Common Stock”), of the Company to 7,500 restricted shares of Common Stock and (b) an annual grant of equity compensation to the Lead Director (if appointed) of 7,500 restricted shares of Common Stock.

On December 31, 2009, the Company entered into Amended and Restated Employment Agreements with Timothy W. Korth, the Company’s General Counsel, Senior Vice President and Corporate Secretary, and Teresa D. Covello, the Company’s Senior Vice President, Chief Accounting Officer and Treasurer. Each employment agreement was amended (i) to extend the term of employment for an additional two-year period ending on December 31, 2011, (ii) to increase the amount of the annual base salary payable to the employee to a minimum of, in the case of Mr. Korth, \$334,000 per annum and, in the case of Ms. Covello, \$257,000 per annum and (iii) to make certain amendments to the restrictive covenants set forth in Paragraph 7 therein. Except as provided above, all other material terms and provisions of the Amended and Restated Employment Agreements, entered into by Mr. Korth and Ms. Covello as of December 10, 2008 and expiring on December 31, 2009, will remain the same. The foregoing summary of the Amended and Restated Employment Agreements is qualified by reference to the Employment Agreements, which are attached hereto as Exhibits 10.1 and 10.2 and incorporated herein by reference.

**ITEM 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.**

On January 1, 2010, the Board elected to be subject to Section 3-804(c) of the Maryland General Corporation Law. The election became effective on January 4, 2010 upon the acceptance for record by the State Department of Assessments and Taxation of Maryland of the Company’s Articles Supplementary describing the election.

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Pursuant to Section 3-804(c), notwithstanding any contrary provision in the Company's charter or Bylaws, each vacancy on the Board (including a vacancy resulting from an increase in the size of the Board or the death, resignation or removal of a director) may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will hold office for the remainder of the full term of the class of directors in which the vacancy occurred and until a successor is elected and qualifies. The election to be subject to Section 3-804(c) of the MGCL will supersede the Company's Bylaws, which provide that (i) vacancies for any cause other than an increase in the number of directors would be filled by a majority of the remaining directors, even if such majority were less than a quorum, (ii) any vacancy created by an increase in the number of directors would be filled by a majority of the entire Board and (iii) any director elected to fill a vacancy would serve until the next annual meeting of stockholders and until his or her successor is elected and qualifies.

The Articles Supplementary are attached hereto as Exhibit 3.1.

#### **ITEM 5.05 Amendments to the Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics.**

On January 1, 2010, the Board, upon the recommendation of the Nominating and Corporate Governance Committee, approved amendments to the Company's Code of Business Conduct and Ethics (the "Code of Ethics"), which applies to all directors, officers and employees of the Company. The following is a summary of the substantive amendments to the Code of Ethics:

- the Personal Financial and Outside Business Interests section was amended to clarify that the Company's personnel (a) may not have outside business interests that are detrimental or potentially detrimental to the best interests of the Company and (b) may not have a significant financial interest in, or any business relationship with, a person that does business with the Company or is a competitor of the Company, except as approved in accordance with the Company's Related Party Transaction Policies and Procedures;
- the Corporate Boards section was amended to provide that directors that are invited to serve on the board of directors of another organization should notify the Nominating and Corporate Governance Committee and the Chairman of the Board;
- the Corporate Opportunities section was revised to conform with Maryland law;
- the Waivers section was amended to reference the New York Stock Exchange listing standards; and
- various other changes to update information or improve the readability and clarity of the Code of Ethics.

The foregoing summary of the amendments to the Code of Ethics is subject to and qualified in its entirety by reference to the full text of the Code of Ethics, as so amended, a copy of which is attached hereto as Exhibit 14.1 and is incorporated by reference into this Item 5.05. The amended Code of Ethics will be posted as soon as practicable in the Corporate Governance section of the Company's website at [www.mfa-reit.com](http://www.mfa-reit.com).

#### **ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.**

(d) Exhibits.

The following exhibits are filed herewith:

<b><u>EXHIBIT NO.</u></b>	<b><u>DESCRIPTION OF EXHIBITS</u></b>
3.1	Articles Supplementary, dated January 1, 2010.
10.1	Amended and Restated Employment Agreement, dated as of December 31, 2009, by and between MFA Financial, Inc. and Timothy W. Korth.

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- 10.2 Amended and Restated Employment Agreement, dated as of December 31, 2009, by and between MFA Financial, Inc. and Teresa D. Covello.
  - 14.1 Code of Business Conduct and Ethics, dated as of January 1, 2010.
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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MFA FINANCIAL, INC.

By: /s/ Timothy W. Korth  
Timothy W. Korth  
General Counsel, Senior Vice President and Secretary

Date: January 4, 2010

**MFA FINANCIAL, INC.**

**ARTICLES SUPPLEMENTARY**

MFA Financial, Inc., a Maryland corporation (the “Corporation”), hereby certifies to the State Department of Assessments and Taxation of Maryland (the “SDAT”), that:

FIRST: Under a power contained in Title 3, Subtitle 8 of the Maryland General Corporation Law (the “MGCL”), and in accordance with resolutions duly adopted by the Board of Directors of the Corporation (the “Board of Directors”), the Corporation elects, notwithstanding any provision in its charter or Bylaws to the contrary, to be subject to Section 3-804(c) of the MGCL, the repeal of which may be effected only by the means authorized by Section 3-802(b)(3) of the MGCL.

SECOND: The election to become subject to Section 3-804(c) of the MGCL has been approved by the Board of Directors in the manner and by the vote required by law.

THIRD: The undersigned acknowledges these Articles Supplementary to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the Corporation has caused these Articles Supplementary to be executed under seal, in its name and on its behalf by its President and Chief Financial Officer and attested by its Secretary on this 1<sup>st</sup> day of January, 2010.

ATTEST:

MFA FINANCIAL, INC.

/s/ Timothy W. Korth  
Timothy W. Korth  
Secretary

By: /s/ William S. Gorin (SEAL)  
William S. Gorin  
President and Chief Financial Officer

AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the 31<sup>st</sup> day of December, 2009 by and between MFA FINANCIAL, INC., a Maryland corporation ("MFA"), and TIMOTHY W. KORTH II, residing at the address set forth on the signature page hereof (the "Executive").

W I T N E S S E T H:

WHEREAS, MFA and the Executive entered into an amended and restated employment agreement effective as of January 1, 2008 and amended as of December 10, 2008 (the "Employment Agreement");

WHEREAS, MFA and the Executive desire to amend the terms of the Executive's employment and extend the period of employment set forth in the Employment Agreement to December 31, 2011 on the terms and conditions set forth in this Agreement; and

WHEREAS, the Executive wishes to continue serving MFA and MFA wishes to secure the continued exclusive services of the Executive under the terms and conditions described below.

NOW THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained, the parties hereto agree to amend and restate the Employment Agreement in its entirety to read as follows:

**1. Term of Employment.**

(a) MFA hereby employs the Executive, and the Executive hereby accepts employment with MFA, in the positions and with the duties and responsibilities as set forth in Paragraph 2 below for the Term of Employment, subject to the terms and conditions of this Agreement.

(b) The term of employment (the "Term of Employment") under this Agreement shall include the Initial Term and each Renewal Term. The Initial Term, which commences on January 1, 2010, shall continue until December 31, 2011. The Term of Employment shall automatically renew for a one-year period (each such renewal, a "Renewal Term") at the end of the Initial Term and each Renewal Term, unless either party shall give notice to the other not less than six months prior to the end of the Initial Term or any Renewal Term, as the case may be, of his or its intent not to renew such Initial Term or Renewal Term, as the case may be. Notwithstanding the foregoing sentences of this Paragraph 1(b), the Term of Employment may be terminated before the expiration of the Initial Term or any Renewal Term in accordance with Paragraph 5 hereof.

**2. Position; Duties and Responsibilities.**

(a) During the Term of Employment, the Executive shall be employed as General Counsel, Senior Vice President and Corporate Secretary of MFA, reporting to the Chief Executive Officer of MFA (the "CEO") and, as such, shall (i) perform, administer, manage, monitor and/or coordinate all legal services required to be performed by or on behalf of MFA and its subsidiaries, and (ii) perform such other duties of an executive, managerial or administrative nature as shall be specified and designated from time to time by the CEO and/or the Board of Directors of MFA (the "Board of Directors").

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(b) During the Term of Employment, the Executive shall, without additional compensation, also serve on the board of directors of, serve as an officer of, and/or perform such executive and consulting services for, or on behalf of, such subsidiaries or affiliates of MFA as the CEO and/or the Board of Directors may, from time to time, request. MFA and such subsidiaries and affiliates are hereinafter referred to, collectively, as the "Company." For purposes of this Agreement, the term "affiliate" shall have the meaning ascribed thereto in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Act").

(c) During the Term of Employment, the Executive shall serve MFA faithfully, diligently and to the best of his ability and shall devote substantially all of his time and efforts to his employment and the performance of his duties under this Agreement. Nothing herein shall preclude the Executive from engaging in charitable and community affairs and managing his personal, financial and legal affairs, so long as such activities do not materially interfere with his carrying out his duties and responsibilities under this Agreement.

### **3. Compensation.**

(a) Base Salary. During the Term of Employment, MFA shall pay to the Executive a base salary (the "Base Salary") equal to \$334,000 per annum. The Base Salary shall be paid in accordance with MFA's normal payroll practices.

(b) Performance Bonus. The Executive shall be eligible to receive an annual performance bonus (the "Performance Bonus") in such amount as shall be recommended by the CEO and approved by the Compensation Committee of the Board of Directors (the "Compensation Committee") or the Board of Directors, as the case may be. The Performance Bonus shall be paid as soon as practicable after it is vested and nonforfeitable, but in no event later than January 16th of the next following calendar year.

(c) Equity Compensation. The Executive shall be eligible to receive such stock option, restricted stock, phantom share or dividend equivalent rights grants or other equity awards as the Compensation Committee or the Board of Directors, as the case may be, shall deem appropriate.

(d) Discretion to Increase Compensation. Nothing in this Agreement shall preclude the Board of Directors or the Compensation Committee from increasing or considering increasing the Executive's compensation during the Term of Employment. The Base Salary as adjusted to reflect any increase shall be the Base Salary for all purposes of this Agreement.

### **4. Employee Benefit Programs and Fringe Benefits.**

During the Term of Employment, the Executive shall be entitled to four weeks of vacation each calendar year and to participate in all executive incentive and employee benefit programs of MFA now or hereafter made available to MFA's senior executives or salaried employees generally, as such programs may be in effect from time to time. MFA shall reimburse the Executive for any and all necessary, customary and usual business expenses, properly receipted in accordance with MFA's policies, incurred by Executive in connection with his employment.

## 5. Termination of Employment.

(a) Termination Due to Death or Disability. If the Executive's employment is terminated during the Term of Employment by reason of the Executive's death or Disability, the Executive's Term of Employment shall terminate automatically without further obligations to the Executive, his legal representative or his estate, as the case may be, under this Agreement except for (i) any compensation earned but not yet paid, including and without limitation, any amount of Base Salary accrued or earned but unpaid and any other payments payable to the Executive pursuant to Paragraph 5(e) below, which amounts shall be promptly paid in a lump sum to the Executive, his legal representative or his estate, as the case may be, and (ii) a lump sum payment in an amount equal to the sum of (A) the Executive's Base Salary, and (B) the Average Performance Bonus, which shall be paid to the Executive, his legal representative or his estate, as the case may be, as soon as possible (without undue delay), but in no event later than March 15th following the calendar year in which such termination occurs. In the event of such termination due to his Disability, the Executive's health insurance coverage shall be continued at MFA's expense for the duration of such Disability; provided, that, if such coverage cannot be provided under MFA's health insurance policy for the duration of such Disability, such coverage or the cost of comparable coverage shall be provided by MFA until the Executive's attainment of age 65 or such later date through which coverage is permissible under MFA's health insurance policy.

(b) Termination Without Cause or for Good Reason. In the event the Executive's employment is terminated by MFA without Cause (which shall not include any non-renewal of this Agreement by MFA pursuant to Paragraph 1(b)) or by the Executive for Good Reason, unless any such termination is preceded by the Executive's giving notice of his determination not to renew the Initial Term or any Renewal Term pursuant to Paragraph 1(b), the Executive shall be entitled to both (i) a payment (referred to below as the "Severance Amount") equal to the sum of (A) the Executive's Base Salary that would be payable pursuant to Paragraph 3(a) from the date of such termination through the later of (I) the expiration of the Term of Employment and (II) the first anniversary of such termination of employment (the period with respect to which the Severance Amount is payable, the "Severance Period"), and (B) the Average Performance Bonus, and (ii) continued health insurance coverage at MFA's expense, for the Severance Period. Fifty percent of the Severance Amount shall be paid within five (5) days after the date the Executive's employment is terminated as described above, and the remaining 50% of the Severance Amount shall be paid in three equal monthly installments beginning on the first business day of the month following the month of such termination; provided, however, in no event shall any portion of the Severance Amount be payable after March 15th of the year following the year in which such termination occurs.

(c) Termination by MFA for Cause or Voluntary Termination by the Executive. In the event the Executive's employment is terminated by MFA for Cause or is terminated by the Executive on his own initiative for other than a Good Reason (including pursuant to Paragraph 1(b)), the Executive shall be entitled to any compensation earned but not yet paid, including and without limitation, any amount of Base Salary accrued or earned but unpaid and any other payments payable to the Executive pursuant to Paragraph 5(e) below, as of the date of termination.

(d) Termination Related to Change in Control. In the event of (1) the termination of the Executive's employment by MFA without Cause (which shall include any non-renewal of this Agreement by MFA pursuant to Paragraph 1(b)) that occurs both within two months before a Change in Control and following the occurrence of a Pre-Change-in-Control Event, (2) the resignation of his employment by the Executive for any reason within two and one half months following a Change in Control, or (3) the termination of the Executive's employment by MFA other than for Cause (which shall include any non-renewal of this Agreement by MFA pursuant to Paragraph 1(b)) or the Executive's resignation of his employment for Good Reason within twelve months following a Change in Control,

(i) MFA shall immediately pay to Executive in a lump sum, but in all events within two and one half months following the calendar year in which the termination of employment occurs, an amount equal to 250% of the sum of (a) the Executive's then current Base Salary and (b) the Average Performance Bonus; and

(ii) the Executive and his immediate family shall continue to participate in all health, life insurance, retirement and other benefit programs at MFA's expense for the balance of the Term of Employment, to the same extent as though the Executive's employment had not terminated.

To the extent necessary to avoid imposition of the excise tax under Section 4999 of the Code in connection with a Change in Control, the amounts payable or benefits to be provided to the Executive shall be reduced such that the reduction of compensation to be provided to the Executive is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code, and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis (but not below zero).

(e) Other Payments. Upon the termination of the Executive's employment, in addition to the amounts payable under any Paragraph above, the Executive shall be entitled to receive the following:

- (i) any annual bonus earned during one or more preceding years but not paid;
- (ii) any vested deferred compensation (including any interest accrued on or appreciation in value of such deferred amounts), in accordance with the applicable plan documents;
- (iii) reimbursement for reasonable business expenses incurred but not yet reimbursed by MFA;
- (iv) any other benefits to which the Executive or his legal representative may be entitled under the 2004 Equity Compensation Plan and under all other applicable plans and programs of MFA, as provided in Paragraph 4 above; and
- (v) upon the termination of the Executive's employment pursuant to Paragraphs 5(a), 5(b) or 5(d) above, or due to any non-renewal of this Agreement by MFA pursuant to Paragraph 1(b), all of the Executive's outstanding restricted stock, phantom shares and stock options shall immediately vest in full and such options shall remain exercisable, and any dividend equivalents associated therewith shall continue to be payable until the earlier of (a) 90 days following the date of such termination, and (b) the date on which each such option would have expired had the Executive's employment not terminated.

(f) No Mitigation; No Offset. In the event of any termination of the Executive's employment under this Agreement, he shall be under no obligation to seek other employment or otherwise in any way to mitigate the amount of any payment provided for in this Paragraph 5, and there shall be no offset against amounts due him under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain.

(g) Payments Subject to Section 409A. Notwithstanding anything herein to the contrary, the Executive shall not be entitled to any payment pursuant to this Paragraph 5 prior to the earliest date permitted under Section 409A of the Code, and applicable Treasury regulations thereunder. To the extent any payment pursuant to this Paragraph 5 is required to be delayed six months pursuant to the special rules of Section 409A of the Code related to "specified employees," each affected payment shall be delayed until six months after the Executive's termination of employment, and, unless provided otherwise, with the first such payment being a lump sum equal to the aggregate payments the Executive would have received during such six-month period if no payment delay had been imposed. Any payments or distributions delayed in accordance with the prior sentence shall be paid to the Executive on the first day of the seventh month following the Executive's termination of employment. Notwithstanding any other provision contained herein, to the extent any payments or distributions due to the Executive upon termination of his employment under this Agreement are subject to Section 409A of the Code (i) a termination of the Executive's employment shall be interpreted in a manner that is consistent with the definition of a "separation from service" under Section 409A of the Code and the applicable Treasury regulations thereunder and (ii) as applicable, such payments shall be treated as a series of separate payments for purposes of Section 409A of the Code.

(h) Mutual Release. MFA's obligation to make any payment or provide any benefit pursuant to this Paragraph 5 shall be contingent upon, and is the consideration for, the Executive executing and delivering to MFA a general release (the "Release"), substantially in the form annexed hereto as Exhibit A, releasing MFA, and all current and former members, officers and employees of MFA, from any claims relating to the Executive's employment hereunder, other than claims relating to continuing obligations under, or preserved by, (x) this Agreement or (y) any compensation or benefit plan, program or arrangement in which the Executive was participating as of the date of termination of his employment, and no such amounts shall be provided until the Executive executes and delivers to MFA a letter which provides that the Executive had not revoked such Release after seven days following the date of the Release. In all events, the Release shall be executed by the Executive within 60 days of termination of employment in order for the Executive to receive any severance benefits hereunder. The Release shall also be executed by MFA and delivered to the Executive as part of the consideration for the Executive's execution and delivery of the Release, and, except as otherwise provided under the terms of the Release, shall release the Executive from any and all claims MFA may have against the Executive.

## 6. Definitions.

For purposes of this Agreement, the following terms shall be defined as set forth below:

(a) Average Performance Bonus. "Average Performance Bonus" shall mean the average Performance Bonus payable to the Executive with respect to the three years preceding the year in which the Executive's termination of employment occurs. For purposes of determining the Average Performance Bonus, if any portion of the Performance Bonus was paid in the form of equity, the full amount of such Performance Bonus (valued, for the avoidance of doubt, as of the date such equity was granted) shall be taken into account as if paid entirely in cash.

(b) Cause. "Cause" shall mean the Executive's (i) conviction, or entry of a guilty plea or a plea of nolo contendere with respect to, a felony, a crime of moral turpitude or any crime committed against MFA, other than traffic violations; (ii) engagement in willful misconduct, willful or gross negligence, or fraud, embezzlement or misappropriation relating to significant amounts, in each case in connection with the performance of his duties under this Agreement; (iii) failure to adhere to the lawful directions of the CEO and/or the Board of Directors that are reasonably consistent with his duties and position provided for herein; (iv) breach in any material respect of any of the provisions of Paragraph 7 of this Agreement resulting in material and demonstrable economic injury to MFA; (v) chronic or persistent substance abuse that materially and adversely affects his performance of his duties under this Agreement; or (vi) breach in any material respect of the terms and provisions of this Agreement resulting in material and demonstrable economic injury to MFA. Notwithstanding the foregoing, (i) the Executive shall be given written notice of any action or failure to act that is alleged to constitute Cause (a "Default"), and an opportunity for 20 business days from the date of such notice in which to cure such Default, such period to be subject to extension in the discretion of the CEO or, in his absence, the Board of Directors; and (ii) regardless of whether the Executive is able to cure any Default, the Executive shall not be deemed to have been terminated for Cause without (x) reasonable prior written notice to the Executive setting forth the reasons for the decision to terminate the Executive for Cause, (y) an opportunity for the Executive, together with his counsel, to be heard by the CEO or, in his absence, the Board of Directors, and (z) delivery to the Executive of a notice of termination approved by said CEO or, in his absence, the Board of Directors, stating his or its good faith opinion that the Executive has engaged in actions or conduct described in the preceding sentence, which notice specifies the particulars of such action or conduct in reasonable detail; provided, however, MFA may suspend the Executive with pay until such time as his right to appear before the CEO or the Board of Directors, as the case may be, has been exercised, so long as such appearance is within two weeks of the date of suspension.

(c) Change in Control. A "Change in Control" shall mean the occurrence of any one of the following events:

(i) any "person," as such term is used in Sections 13(d) and 14(d) of the Act (other than MFA, any of its affiliates or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of MFA or any of its affiliates) together with all affiliates and "associates" (as such term is defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of MFA representing 30% or more of either (A) the combined voting power of MFA's then outstanding securities having the right to vote in an election of the Board of Directors ("voting securities"), or (B) the then outstanding shares of common stock of MFA ("Shares") (in either such case other than as a result of an acquisition of securities directly from MFA); or

(ii) persons who, as of the effective date of this Agreement, constitute MFA's Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board of Directors, provided that any person becoming a Director of MFA subsequent to the effective date whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors shall, for purposes of this Agreement, be considered an Incumbent Director; or

(iii) there shall occur (A) any consolidation or merger of MFA or any subsidiary where the stockholders of MFA, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, shares representing in the aggregate 60% or more of the voting securities of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of MFA, or (C) any plan or proposal for the liquidation or dissolution of MFA.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred for purposes of the foregoing clause (i) solely as the result of an acquisition of securities by MFA which, by reducing the number of Shares or other voting securities outstanding, increases (x) the proportionate number of Shares beneficially owned by any person to 30% or more of the Shares then outstanding or (y) the proportionate voting power represented by the voting securities beneficially owned by any person to 30% or more of the combined voting power of all then outstanding voting securities; provided, however, that, if any person referred to in clause (x) or (y) of this sentence shall thereafter become the beneficial owner of any additional Shares or other voting securities (other than pursuant to a stock split, stock dividend, or similar transaction), then a "Change in Control" shall be deemed to have occurred for purposes of this Paragraph 6(c).

(d) Disability. "Disability" shall mean the Executive's inability for a period of six consecutive months to render substantially the services provided for in this Agreement by reason of mental or physical disability, whether resulting from illness, accident or otherwise, other than by reason of chronic or persistent abuse of any substance (such as narcotics or alcohol). Notwithstanding the foregoing, no circumstances or condition shall constitute a Disability to the extent that, if it were, a 20% tax would be imposed under Section 409A of the Code; provided that, in such a case, the event or condition shall continue to constitute a Disability to the maximum extent possible (e.g., if applicable, in respect of vesting without an acceleration of distribution) without causing the imposition of such 20% tax. In addition, nothing herein shall limit or restrict the payment of any amount subject to Section 409A of the Code upon an otherwise permitted payment event under Section 409A of the Code, including upon a separation from service.

(e) Good Reason. "Good Reason" shall mean:

- (i) a material diminution in the Executive's title, duties or responsibilities;
- (ii) relocation of the Executive's place of employment without his consent outside the New York City metropolitan area;
- (iii) the failure of MFA to pay within thirty (30) business days any material payment due from MFA;
- (iv) the failure of MFA to pay within a reasonable period after the date when amounts are required to be paid to the Executive under any benefit programs or plans; or
- (v) the failure by MFA to honor any of its material obligations herein.

(f) Pre-Change-in-Control Event. A "Pre-Change-in-Control Event" shall mean the occurrence of any one of the following events:

- (i) the Board shall adopt a resolution to the effect that any person has taken actions which, if consummated, would result in such person acquiring effective control of the business and affairs of MFA;
- (ii) there shall commence a tender offer or proxy contest resulting in any of the transactions specified in subparagraphs (i)-(iii) of Paragraph 6(c);
- (iii) MFA shall make any agreement resulting in any of the transactions specified in subparagraphs (i)-(iii) of Paragraph 6(c);
- (iv) there shall be a public announcement of a transaction of the kind specified in subparagraphs (i)-(iii) of Paragraph 6(c); or
- (v) any other meeting, writing or written communication with, by or to the Board of Directors or any officer or executive of MFA, that is held, made or undertaken in good faith in anticipation of a Change in Control.

## 7. Restrictive Covenants.

(a) Confidentiality. During the Term of Employment, and at all times thereafter, the Executive shall maintain the confidentiality of all confidential or proprietary information of MFA and any of its subsidiaries or affiliates, if any, or of any other person or entity with which the Executive has been involved as a direct or indirect result of his employment by, or performance of consulting or other services (including, without limitation, as a director, officer, advisor, agent, consultant or other independent contractor) for, MFA or any of its subsidiaries or affiliates (“Confidential Information”), and, except in furtherance of the Business of MFA or as specifically required by law or by court order, he shall not directly or indirectly disclose any such information to any person or entity; nor shall he use Confidential Information for any purpose except for the benefit of MFA. For purposes of this Agreement, “Confidential Information” includes, without limitation: client or customer lists, identities, contacts, business and financial information; investment strategies; pricing information or policies, fees or commission arrangements of MFA; marketing plans, projections, presentations or strategies of MFA; financial and budget information of MFA; personnel information, personnel lists, resumes, personnel data, organizational structure, compensation and performance evaluations; information regarding the existence or terms of any agreement or relationship between MFA or any of its subsidiaries or affiliates and any other party; and any other information of whatever nature, which gives to MFA or any of its subsidiaries or affiliates an opportunity to obtain an advantage over its competitors who or which do not have access to such information. This restriction shall apply regardless of whether such Confidential Information is in written, graphic, recorded, photographic, data or any machine readable form or is orally conveyed to, or memorized by, the Executive; provided, however, that this Paragraph 7(a) shall not apply to Confidential Information that: (i) is or becomes publicly known through no act or omission on the Executive's part; (b) was rightfully known by the Executive without confidentiality restriction before disclosure to the Executive by MFA; or (c) becomes rightfully known by the Executive without confidentiality restriction from a source other than MFA that does not owe a duty of confidentiality to MFA with respect thereto.

(b) Prohibited Activities. Since the Executive's services to MFA are essential and because the Executive has access to MFA's Confidential Information, the Executive covenants and agrees that, during the Term of Employment and the one-year period following the termination of the Executive's employment with MFA for any reason, the Executive will not, without the prior written consent of MFA, directly or indirectly (individually, or through or on behalf of another entity as owner, partner, agent, employee, consultant, or in any other capacity), (i) solicit, encourage, or engage in any activity to induce any employee of MFA to terminate employment with MFA, or to become employed by, or to enter into a business relationship with, any other person or entity; or (ii) engage in any activity intentionally to interfere with, disrupt or damage the business of MFA of acquiring mortgage-backed securities, or its relationships with any client, supplier or other business relationship of MFA.

(c) MFA Materials. The Executive acknowledges that all originals and copies of materials, records and documents generated by him or coming into his possession during his employment by MFA are the sole property of MFA (“MFA Materials”). During his employment, and at all times thereafter, the Executive shall not remove, or cause to be removed, from the premises of MFA, copies of any record, file, memorandum, document, computer related information or equipment, or any other item relating to the business of MFA, except in furtherance of his duties under this Agreement. When the Executive terminates his employment with MFA, or upon request of MFA at any time, the Executive shall promptly deliver to MFA all originals and copies of MFA Materials in his possession or control and shall not retain any originals or copies in any form.

(d) No Disparagement. Each of the Executive and MFA agrees that, except as required by applicable law or compelled by process of law, during and after the Term of Employment they shall not with willful intent to damage the other, make any derogatory, disparaging or critical statement about the other party hereto or, further in the case of statements by the Executive, about (i) MFA, its parent, affiliates, or subsidiaries, if any; (ii) any product or service provided by MFA and its parent, affiliates or subsidiaries, if any; or (iii) MFA's and its parent's, affiliates' or subsidiaries', if any, prospects for the future. Nothing in this Paragraph shall prohibit either MFA or the Executive from testifying truthfully in any legal or administrative proceeding or from truthfully responding to any untrue statement by the other party.

(e) Transition. Regardless of the reason for his departure from MFA, the Executive agrees that at MFA's sole costs and expense, for a period of not more than 30 days after termination of the Executive, he shall take all steps reasonably requested by MFA to effect a successful transition of client and customer relationships to the person or persons designated by MFA, subject to the Executive's obligations to his new employer.

(f) Cooperation with Respect to Litigation. During the Term of Employment and at all times thereafter, the Executive agrees to give prompt written notice to MFA of any claim relating to MFA and to cooperate fully, in good faith and to the best of his ability with MFA in connection with any and all pending, potential or future claims, investigations or actions which directly or indirectly relate to any action, event or activity about which the Executive may have knowledge in connection with or as a result of his employment by MFA hereunder. Such cooperation will include all assistance that MFA, its counsel or its representatives may reasonably request, including reviewing documents, meeting with counsel, providing factual information and material, and appearing or testifying as a witness; provided, however, that MFA will reimburse the Executive for all reasonable expenses, including travel, lodging and meals, incurred by him in fulfilling his obligations under this Paragraph 7(f) and, except as may be required by law or by court order, should the Executive then be employed by an entity other than MFA, such cooperation will not materially interfere with the Executive's then current employment.

#### **8. Indemnification.**

MFA shall indemnify the Executive to the fullest extent permitted by Maryland law as amended from time to time in connection with the Executive's duties with MFA, against all costs, expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines, penalties, ERISA excise taxes and amounts paid in settlement) actually and reasonably incurred by the Executive in connection with an action, suit or proceeding. During the Term of Employment and for six years following the date of the Executive's termination as an officer of MFA, MFA (or any successor thereto) shall provide comprehensive coverage under its officers and directors insurance policy (or policies) on substantially the same terms and levels that it provides to its senior executive officers, at MFA's sole cost.

#### **9. Assignability; Binding Nature.**

This Agreement shall inure to the benefit of MFA and the Executive and their respective successors, heirs (in the case of the Executive) and assigns. No rights or obligations of MFA under this Agreement may be assigned or transferred by MFA except that any such rights or obligations may be assigned or transferred pursuant to a merger or consolidation in which MFA is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of MFA, provided that the assignee or transferee is the successor to all or substantially all of the assets of MFA and such assignee or transferee assumes the liabilities, obligations and duties of MFA, as contained in this Agreement, either contractually or as a matter of law. This Agreement shall not be assignable by the Executive.

#### **10. Representation.**

MFA represents and warrants that it is fully authorized and empowered to enter into this Agreement and that its entering into this Agreement and the performance of its obligations under this Agreement will not violate any agreement between MFA and any other person, firm or organization or any law or governmental regulation.



11. **Entire Agreement.**

This Agreement contains the entire agreement between MFA and the Executive concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between them with respect thereto.

12. **Amendment or Waiver.**

This Agreement cannot be changed, modified or amended without the consent in writing of both the Executive and MFA. No waiver by either MFA or the Executive at any time of any breach by the other party of any condition or provision of this Agreement shall be deemed a waiver of a similar or dissimilar condition or provision at the same or at any prior or subsequent time. Any waiver must be in writing and signed by the Executive or an authorized officer of MFA, as the case may be.

13. **Severability.**

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

14. **Reasonableness.**

To the extent that any provision or portion of this Agreement is determined to be unenforceable by a court of law or equity, that provision or portion of this Agreement shall nevertheless be enforceable to the extent that such court determines is reasonable.

15. **Survivorship.**

The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

16. **Governing Law.**

This Agreement and all rights thereunder, and any controversies or disputes arising with respect thereto, shall be governed by and construed and interpreted in accordance with the laws of the State of New York, applicable to agreements made and to be performed entirely within such State, without regard to conflict of laws provisions thereof that would apply the law of any other jurisdiction.

17. **Dispute Resolution.**

In the event of any dispute, controversy or claim arising out of or relating to this Agreement or Executive's employment or termination thereof (other than a controversy or claim arising under Paragraph 7, to the extent necessary for MFA (or its affiliates, where applicable) to enforce the provisions thereof), the parties hereby agree to settle such dispute, controversy or claim in a binding arbitration by a single arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association, which arbitration shall be conducted in New York, New York. The parties agree that the arbitral award shall be final and non-appealable and shall be the sole and exclusive remedy between the parties hereunder. The parties agree that judgment on the arbitral award may be entered in any court having competent jurisdiction over the parties or their assets. All reasonable fees and expenses related to any such arbitration (including reasonable attorneys' fees and related disbursements) shall be paid by MFA.

18. **Legal Fees.**

MFA shall pay directly all reasonable legal fees incurred by the Executive in connection with the negotiation, preparation and execution of this Agreement.

19. **Notices.**

Any notice given to either party shall be in writing and shall be deemed to have been given when delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested, duly addressed to the party concerned, if to MFA, at its principal office, and if to the Executive, at the address of the Executive shown on MFA's records or at such other address as such party may give notice of.

20. **Headings.**

The headings of the paragraphs contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

21. **Counterparts.**

This Agreement may be executed in two or more counterparts.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

MFA Financial, Inc.

By: /s/ Stewart Zimmerman  
Name: Stewart Zimmerman  
Title: Chairman and Chief Executive Officer

By: /s/ Timothy W. Korth  
Name: Timothy W. Korth II  
Title: General Counsel, Senior Vice President and Corporate Secretary

## EXHIBIT A

### Mutual Release

This Mutual Release of Claims (this "Release") is made as of \_\_\_\_\_, by and between MFA FINANCIAL, INC. (the "Company") and \_\_\_\_\_ (the "Executive").

1. Release by the Company.

(a) The Company on behalf of itself, its agents, successors, affiliated entities and assigns, in consideration for the Executive's execution and delivery of this Release, hereby forever releases and discharges the Executive, and his agents, heirs, successors, assigns, executors and administrators, from any and all known and unknown causes of action, actions, judgments, liens, indebtedness, damages, losses, claims, liabilities, and demands of whatsoever kind and character in any manner whatsoever arising on or prior to the date of this Release, including but not limited to (i) any claim for breach of contract, breach of implied covenant, breach of oral or written promise, defamation, interference with contract relations or prospective economic advantage, negligence, misrepresentation; (ii) any and all liability that was or may have been alleged against or imputed to the Executive by the Company or by anyone acting on its behalf; (iii) any punitive, compensatory or liquidated damages; and (iv) all rights to and claims for attorneys' fees and costs except as otherwise provided in his amended and restated employment agreement with the Company dated December [ ], 2009 (the "Employment Agreement").

(b) The Company shall not file or cause to be filed any action, suit, claim, charge or proceeding with any federal, state or local court or agency relating to any claim within the scope of this Release. In the event there is presently pending any action, suit, claim, charge or proceeding within the scope of this Release, or if such a proceeding is commenced in the future, the Company shall promptly withdraw it, with prejudice, to the extent it has the power to do so. The Company represents and warrants that it has not assigned any claim released herein, or authorized any other person to assert any claim on its behalf.

(c) Anything to the contrary notwithstanding in this Release or the Employment Agreement, this Release shall not apply to claims or damages based on (i) any right or claim that arises after the date on which the Company executes this Release, including any right to enforce the Employment Agreement with respect to provisions pertaining to matters that arise after the date of the Release and that survive termination of employment or (ii) any act of willful misconduct, gross negligence, fraud or misappropriation of funds.

2. Release by the Executive.

(a) The Executive, on behalf of himself, his agents, heirs, successors, assigns, executors and administrators, in consideration for the termination payments and other consideration provided for under the Employment Agreement, hereby forever releases and discharges the Company, and its successors, its affiliated entities, and, in such capacities, its past and present directors, employees, agents, attorneys, accountants, representatives, plan fiduciaries, successors and assigns from any and all known and unknown causes of action, actions, judgments, liens, indebtedness, damages, losses, claims, liabilities, and demands of whatsoever kind and character in any manner whatsoever arising on or prior to the date of this Release, including but not limited to (i) any claim for breach of contract, breach of implied covenant, breach of oral or written promise, wrongful termination, intentional infliction of emotional distress, defamation, interference with contract relations or prospective economic advantage, negligence, misrepresentation or employment discrimination, and including without limitation alleged violations of Title VII of the Civil Rights Act of 1964, as amended, prohibiting discrimination based on race, color, religion, sex or national origin; the Family and Medical Leave Act; the Americans With Disabilities Act; the Age Discrimination in Employment Act; other federal, state and local laws, ordinances and regulations; and any unemployment or workers' compensation law, excepting only those obligations of the Company pursuant to Paragraph 5 of the Employment Agreement or otherwise continuing under the Employment Agreement and any claims to benefits under any compensation or benefit plan, program or arrangement in which the Executive was participating as of the date of termination of his employment; (ii) any and all liability that was or may have been alleged against or imputed to the Company by the Executive or by anyone acting on his behalf; (iii) all claims for wages, monetary or equitable relief, employment or reemployment with the Company in any position, and any punitive, compensatory or liquidated damages; and (iv) all rights to and claims for attorneys' fees and costs except as otherwise provided in the Employment Agreement.

(b) The Executive shall not file or cause to be filed any action, suit, claim, charge or proceeding with any federal, state or local court or agency relating to any claim within the scope of this Release. In the event there is presently pending any action, suit, claim, charge or proceeding within the scope of this Release, or if such a proceeding is commenced in the future, the Executive shall promptly withdraw it, with prejudice, to the extent he has the power to do so. The Executive represents and warrants that he has not assigned any claim released herein, or authorized any other person to assert any claim on his behalf.

(c) In the event any action, suit, claim, charge or proceeding within the scope of this Release is brought by any government agency, putative class representative or other third party to vindicate any alleged rights of the Executive, (i) the Executive shall, except to the extent required or compelled by law, legal process or subpoena, refrain from participating, testifying or producing documents therein, and (ii) all damages, inclusive of attorneys' fees, if any, required to be paid to the Executive by the Company as a consequence of such action, suit, claim, charge or proceeding shall be repaid to the Company by the Executive within ten (10) days of his receipt thereof.

(d) BY HIS SIGNATURE BELOW, THE EXECUTIVE ACKNOWLEDGES THAT:

(1) HE HAS RECEIVED A COPY OF THIS RELEASE AND WAS OFFERED A PERIOD OF TWENTY-ONE (21) DAYS TO REVIEW AND CONSIDER IT;

(2) IF HE SIGNS THIS RELEASE PRIOR TO THE EXPIRATION OF TWENTY-ONE DAYS, HE KNOWINGLY AND VOLUNTARILY WAIVES AND GIVES UP THIS RIGHT OF REVIEW;

(3) HE HAS THE RIGHT TO REVOKE THIS RELEASE FOR A PERIOD OF SEVEN (7) DAYS AFTER HE SIGNS IT BY MAILING OR DELIVERING A WRITTEN NOTICE OF REVOCATION TO THE COMPANY'S GENERAL COUNSEL, NO LATER THAN THE CLOSE OF BUSINESS ON THE SEVENTH DAY AFTER THE DAY ON WHICH HE SIGNED THIS RELEASE;

(4) THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE SEVEN DAY REVOCATION PERIOD HAS EXPIRED WITHOUT THE RELEASE HAVING BEEN REVOKED (THE "EFFECTIVE DATE");

(5) THIS RELEASE WILL BE FINAL AND BINDING AFTER THE EXPIRATION OF THE REVOCATION PERIOD REFERRED TO IN SECTION 2(d)(3). HE AGREES NOT TO CHALLENGE ITS ENFORCEABILITY;

(6) HE IS AWARE OF HIS RIGHT TO CONSULT AN ATTORNEY, HAS BEEN ADVISED IN WRITING TO CONSULT WITH AN ATTORNEY, AND HAS HAD THE OPPORTUNITY TO CONSULT WITH AN ATTORNEY, IF DESIRED, PRIOR TO SIGNING THIS RELEASE;

(7) NO PROMISE OR INDUCEMENT FOR THIS RELEASE HAS BEEN MADE EXCEPT AS SET FORTH IN THIS RELEASE;

(8) HE IS LEGALLY COMPETENT TO EXECUTE THIS RELEASE AND ACCEPT FULL RESPONSIBILITY FOR IT; AND

(9) HE HAS CAREFULLY READ THIS RELEASE, ACKNOWLEDGES THAT HE HAS NOT RELIED ON ANY REPRESENTATION OR STATEMENT, WRITTEN OR ORAL, NOT SET FORTH IN THIS DOCUMENT, AND WARRANTS AND REPRESENTS THAT HE IS SIGNING THIS RELEASE KNOWINGLY AND VOLUNTARILY.

IN WITNESS WHEREOF, the parties have hereunto set their hands this \_\_\_\_ day of \_\_\_\_\_.

By: \_\_\_\_\_  
Name:  
Title: Executive

MFA FINANCIAL, INC.

By: \_\_\_\_\_  
Name:  
Title:

AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the 31st day of December, 2009, by and between MFA FINANCIAL, INC., a Maryland corporation ("MFA"), and TERESA D. COVELLO, residing at the address set forth on the signature page hereof (the "Executive").

W I T N E S S E T H:

WHEREAS, MFA and the Executive entered into an amended and restated employment agreement effective as of January 1, 2008 and amended as of December 10, 2008 (the "Employment Agreement");

WHEREAS, MFA and the Executive desire to amend the terms of the Executive's employment and extend the period of employment set forth in the Employment Agreement to December 31, 2011 on the terms and conditions set forth in this Agreement; and

WHEREAS, the Executive wishes to continue serving MFA and MFA wishes to secure the continued exclusive services of the Executive under the terms and conditions described below.

NOW THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained, the parties hereto agree to amend and restate the Employment Agreement in its entirety to read as follows:

1. Term of Employment.

(a) MFA hereby employs the Executive, and the Executive hereby accepts employment with MFA, in the positions and with the duties and responsibilities as set forth in Paragraph 2 below for the Term of Employment, subject to the terms and conditions of this Agreement.

(b) The term of employment (the "Term of Employment") under this Agreement shall include the Initial Term and each Renewal Term. The Initial Term, which commences on January 1, 2010, shall continue until December 31, 2011. The Term of Employment shall automatically renew for a one-year period (each such renewal, a "Renewal Term") at the end of the Initial Term and each Renewal Term, unless either party shall give notice to the other not less than six months prior to the end of the Initial Term or any Renewal Term, as the case may be, of her or its intent not to renew such Initial Term or Renewal Term, as the case may be. Notwithstanding the foregoing sentences of this Paragraph 1(b), the Term of Employment may be terminated before the expiration of the Initial Term or any Renewal Term in accordance with Paragraph 5 hereof.

2. Position; Duties and Responsibilities.

(a) During the Term of Employment, the Executive shall be employed as Senior Vice President, Chief Accounting Officer and Treasurer of MFA, reporting to the Chief Financial Officer of MFA (the "CFO"), with such duties and day-to-day management responsibilities as are customarily performed by persons holding such offices at similarly situated mortgage REITs and such other duties as may be mutually agreed upon between the Executive and the Chairman and Chief Executive Officer of MFA (the "CEO") and/or the CFO.

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(b) During the Term of Employment, the Executive shall, without additional compensation, also serve on the board of directors of, serve as an officer of, and/or perform such executive and consulting services for, or on behalf of, such subsidiaries or affiliates of MFA as the CEO, the CFO and/or the Board of Directors of MFA (the "Board of Directors") may, from time to time, request. MFA and such subsidiaries and affiliates are hereinafter referred to, collectively, as the "Company." For purposes of this Agreement, the term "affiliate" shall have the meaning ascribed thereto in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Act").

(c) During the Term of Employment, the Executive shall serve MFA faithfully, diligently and to the best of her ability and shall devote substantially all of her time and efforts to her employment and the performance of her duties under this Agreement. Nothing herein shall preclude the Executive from engaging in charitable and community affairs and managing her personal financial and legal affairs, so long as such activities do not materially interfere with her carrying out her duties and responsibilities under this Agreement.

3. Compensation.

(a) Base Salary. During the Term of Employment, MFA shall pay to the Executive a base salary (the "Base Salary") equal to \$257,000 per annum. The Base Salary shall be paid in accordance with MFA's normal payroll practices.

(b) Performance Bonus. The Executive shall be eligible to receive an annual performance bonus (the "Performance Bonus") in such amount as shall be recommended by the CEO and/or the CFO and approved by the Compensation Committee of the Board of Directors (the "Compensation Committee") or the Board of Directors, as the case may be. The Performance Bonus shall be paid as soon as practicable after it is vested and nonforfeitable, but in no event later than January 16th of the next following calendar year.

(c) Equity Compensation. The Executive shall be eligible to receive such stock option, restricted stock, phantom share or dividend equivalent rights grants or other equity awards as the Compensation Committee or the Board of Directors, as the case may be, shall deem appropriate.

(d) Discretion to Increase Compensation. Nothing in this Agreement shall preclude the Board of Directors or the Compensation Committee from increasing or considering increasing the Executive's compensation during the Term of Employment. The Base Salary as adjusted to reflect any increase shall be the Base Salary for all purposes of this Agreement.

4. Employee Benefit Programs and Fringe Benefits.

During the Term of Employment, the Executive shall be entitled to four weeks of vacation each calendar year and to participate in all executive incentive and employee benefit programs of MFA now or hereafter made available to MFA's senior executives or salaried employees generally, as such programs may be in effect from time to time. MFA shall reimburse the Executive for any and all necessary, customary and usual business expenses, properly receipted in accordance with MFA's policies, incurred by the Executive in connection with her employment.



5. Termination of Employment.

(a) Termination Due to Death or Disability. If the Executive's employment is terminated during the Term of Employment by reason of the Executive's death or Disability, the Executive's Term of Employment shall terminate automatically without further obligations to the Executive, her legal representative or her estate, as the case may be, under this Agreement except for (i) any compensation earned but not yet paid, including and without limitation, any amount of Base Salary accrued or earned but unpaid and any other payments payable to the Executive pursuant to Paragraph 5(e) below, which amounts shall be promptly paid in a lump sum to the Executive, her legal representative or her estate, as the case may be, and (ii) a lump sum payment in an amount equal to the sum of (A) the Executive's Base Salary, and (B) the Average Performance Bonus, which shall be paid to the Executive, her legal representative or her estate, as the case may be, as soon as possible (without undue delay), but in no event later than March 15th following the calendar year in which such termination occurs. In the event of such termination due to her Disability, the Executive's health insurance coverage shall be continued at MFA's expense for the duration of such Disability; provided, that, if such coverage cannot be provided under MFA's health insurance policy for the duration of such Disability, such coverage or the cost of comparable coverage shall be provided by MFA until the Executive's attainment of age 65 or such later date through which coverage is permissible under MFA's health insurance policy.

(b) Termination Without Cause or for Good Reason. In the event the Executive's employment is terminated by MFA without Cause (which shall not include any non-renewal of this Agreement by MFA pursuant to Paragraph 1(b)) or by the Executive for Good Reason, unless any such termination is preceded by the Executive's giving notice of her determination not to renew the Initial Term or any Renewal Term pursuant to Paragraph 1(b), the Executive shall be entitled to both (i) a payment (referred to below as the "Severance Amount") equal to the sum of (A) the Executive's Base Salary that would be payable pursuant to Paragraph 3(a) from the date of such termination through the later of (I) the expiration of the Term of Employment and (II) the first anniversary of such termination of employment (the period with respect to which the Severance Amount is payable, the "Severance Period"), and (B) the Average Performance Bonus, and (ii) continued health insurance coverage at MFA's expense, for the Severance Period. Fifty percent of the Severance Amount shall be paid within five (5) days after the date the Executive's employment is terminated as described above, and the remaining 50% of the Severance Amount shall be paid in three equal monthly installments beginning on the first business day of the month following the month of such termination; provided, however, in no event shall any portion of the Severance Amount be payable after March 15th of the year following the year in which such termination occurs.

(c) Termination by MFA for Cause or Voluntary Termination by the Executive. In the event the Executive's employment is terminated by MFA for Cause or is terminated by the Executive on her own initiative for other than a Good Reason (including pursuant to Paragraph 1(b)), the Executive shall be entitled to any compensation earned but not yet paid, including and without limitation, any amount of Base Salary accrued or earned but unpaid and any other payments payable to the Executive pursuant to Paragraph 5(e) below, as of the date of termination.

(d) Termination Related to Change in Control. In the event of (1) the termination of the Executive's employment by MFA without Cause (which shall include any non-renewal of this Agreement by MFA pursuant to Paragraph 1(b)) that occurs both within two months before a Change in Control and following the occurrence of a Pre-Change-in-Control Event, (2) the resignation of her employment by the Executive for any reason within two and one-half months following a Change in Control, or (3) the termination of the Executive's employment by MFA other than for Cause (which shall include any non-renewal of this Agreement by MFA pursuant to Paragraph 1(b)) or the Executive's resignation of her employment for Good Reason within twelve months following a Change in Control:

(i) MFA shall immediately pay to Executive in a lump sum, but in all events within two and one half months following the calendar year in which the termination of employment occurs, an amount equal to 250% of the sum of (a) the Executive's then current Base Salary and (b) the Average Performance Bonus and;

(ii) the Executive and her immediate family shall continue to participate in all health, life insurance, retirement and other benefit programs at MFA's expense for the balance of the Term of Employment, to the same extent as though the Executive's employment had not terminated.

To the extent necessary to avoid imposition of the excise tax under Section 4999 of the Code in connection with a Change in Control, the amounts payable or benefits to be provided to the Executive shall be reduced such that the reduction of compensation to be provided to the Executive is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code, and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis (but not below zero).

(e) Other Payments. Upon the termination of the Executive's employment, in addition to the amounts payable under any Paragraph above, the Executive shall be entitled to receive the following:

- (i) any annual bonus earned during one or more preceding years but not paid;
- (ii) any vested deferred compensation (including any interest accrued on or appreciation in value of such deferred amounts), in accordance with the applicable plan documents;
- (iii) reimbursement for reasonable business expenses incurred but not yet reimbursed by MFA;
- (iv) any other benefits to which the Executive or her legal representative may be entitled under the 2004 Equity Compensation Plan and under all other applicable plans and programs of MFA, as provided in Paragraph 4 above; and
- (v) upon the termination of the Executive's employment pursuant to Paragraphs 5(a), 5(b) or 5(d) above, or due to any non-renewal of this Agreement by MFA pursuant to Paragraph 1(b), all of the Executive's outstanding restricted stock, phantom shares and stock options shall immediately vest in full and such options shall remain exercisable, and any dividend equivalents associated therewith shall continue to be payable until the earlier of (a) 90 days following the date of such termination, and (b) the date on which each such option would have expired had the Executive's employment not terminated.

(f) No Mitigation; No Offset. In the event of any termination of the Executive's employment under this Agreement, she shall be under no obligation to seek other employment or otherwise in any way to mitigate the amount of any payment provided for in this Paragraph 5, and there shall be no offset against amounts due her under this Agreement on account of any remuneration attributable to any subsequent employment that she may obtain.

(g) Payments Subject to Section 409A. Notwithstanding anything herein to the contrary, the Executive shall not be entitled to any payment pursuant to this Paragraph 5 prior to the earliest date permitted under Section 409A of the Code, and applicable Treasury regulations thereunder. To the extent any payment pursuant to this Paragraph 5 is required to be delayed six months pursuant to the special rules of Section 409A of the Code related to "specified employees," each affected payment shall be delayed until six months after the Executive's termination of employment, and, unless provided otherwise, with the first such payment being a lump sum equal to the aggregate payments the Executive would have received during such six-month period if no payment delay had been imposed. Any payments or distributions delayed in accordance with the prior sentence shall be paid to the Executive on the first day of the seventh month following the Executive's termination of employment. Notwithstanding any other provision contained herein, to the extent any payments or distributions due to the Executive upon termination of her employment under this Agreement are subject to Section 409A of the Code (i) a termination of the Executive's employment shall be interpreted in a manner that is consistent with the definition of a "separation from service" under Section 409A of the Code and the applicable Treasury regulations thereunder and (ii) as applicable, such payments shall be treated as a series of separate payments for purposes of Section 409A of the Code.

(h) Mutual Release. MFA's obligation to make any payment or provide any benefit pursuant to this Paragraph 5 shall be contingent upon, and is the consideration for, the Executive executing and delivering to MFA a general release (the "Release"), substantially in the form annexed hereto as Exhibit A, releasing MFA, and all current and former members, officers and employees of MFA, from any claims relating to the Executive's employment hereunder, other than claims relating to continuing obligations under, or preserved by, (x) this Agreement or (y) any compensation or benefit plan, program or arrangement in which the Executive was participating as of the date of termination of her employment, and no such amounts shall be provided until the Executive executes and delivers to MFA a letter which provides that the Executive had not revoked such Release after seven days following the date of the Release. In all events, the Release shall be executed by the Executive within 60 days of termination of employment in order for the Executive to receive any severance benefits hereunder. The Release shall also be executed by MFA and delivered to the Executive as part of the consideration for the Executive's execution and delivery of the Release, and, except as otherwise provided under the terms of the Release, shall release the Executive from any and all claims MFA may have against the Executive.

## 6. Definitions.

For purposes of this Agreement, the following terms shall be defined as set forth below:

(a) Average Performance Bonus. "Average Performance Bonus" shall mean the average Performance Bonus payable to the Executive with respect to the three years preceding the year in which the Executive's termination of employment occurs. For purposes of determining the Average Performance Bonus, if any portion of the Performance Bonus was paid in the form of equity, the full amount of such Performance Bonus (valued, for the avoidance of doubt, as of the date such equity was granted) shall be taken into account as if paid entirely in cash.

(b) Cause. "Cause" shall mean the Executive's (i) conviction, or entry of a guilty plea or a plea of nolo contendere with respect to, a felony, a crime of moral turpitude or any crime committed against MFA, other than traffic violations; (ii) engagement in willful misconduct, willful or gross negligence, or fraud, embezzlement or misappropriation relating to significant amounts, in each case in connection with the performance of her duties under this Agreement; (iii) failure to adhere to the lawful directions of the CEO, the CFO and/or the Board of Directors that are reasonably consistent with her duties and position provided for herein; (iv) breach in any material respect of any of the provisions of Paragraph 7 of this Agreement resulting in material and demonstrable economic injury to MFA; (v) chronic or persistent substance abuse that materially and adversely affects her performance of her duties under this Agreement or (vi) breach in any material respect of the terms and provisions of this Agreement resulting in material and demonstrable economic injury to MFA. Notwithstanding the foregoing, (i) the Executive shall be given written notice of any action or failure to act that is alleged to constitute Cause (a "Default"), and an opportunity for 20 business days from the date of such notice in which to cure such Default, such period to be subject to extension in the discretion of the CEO or, in her absence, the Board of Directors and (ii) regardless of whether the Executive is able to cure any Default, the Executive shall not be deemed to have been terminated for Cause without (x) reasonable prior written notice to the Executive setting forth the reasons for the decision to terminate the Executive for Cause, (y) an opportunity for the Executive, together with her counsel, to be heard by the CEO or, in her absence, the Board of Directors and (z) delivery to the Executive of a notice of termination approved by said CEO or, in her absence, the Board of Directors, stating her or its good faith opinion that the Executive has engaged in actions or conduct described in the preceding sentence, which notice specifies the particulars of such action or conduct in reasonable detail; provided, however, MFA may suspend the Executive with pay until such time as her right to appear before the CEO or the Board of Directors, as the case may be, has been exercised, so long as such appearance is within two weeks of the date of suspension.

(c) Change in Control. A "Change in Control" shall mean the occurrence of any one of the following events:

(i) any "person," as such term is used in Sections 13(d) and 14(d) of the Act (other than MFA, any of its affiliates or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of MFA or any of its affiliates) together with all affiliates and "associates" (as such term is defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of MFA representing 30% or more of either (A) the combined voting power of MFA's then outstanding securities having the right to vote in an election of the Board of Directors ("voting securities"), or (B) the then outstanding shares of common stock of MFA ("Shares") (in either such case other than as a result of an acquisition of securities directly from MFA); or

(ii) persons who, as of the effective date of this Agreement, constitute MFA's Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board of Directors, provided that any person becoming a Director of MFA subsequent to the effective date whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors shall, for purposes of this Agreement, be considered an Incumbent Director; or

(iii) there shall occur (A) any consolidation or merger of MFA or any subsidiary where the stockholders of MFA, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, shares representing in the aggregate 60% or more of the voting securities of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of MFA, or (C) any plan or proposal for the liquidation or dissolution of MFA.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred for purposes of the foregoing clause (i) solely as the result of an acquisition of securities by MFA which, by reducing the number of Shares or other voting securities outstanding, increases (x) the proportionate number of Shares beneficially owned by any person to 30% or more of the Shares then outstanding or (y) the proportionate voting power represented by the voting securities beneficially owned by any person to 30% or more of the combined voting power of all then outstanding voting securities; provided, however, that, if any person referred to in clause (x) or (y) of this sentence shall thereafter become the beneficial owner of any additional Shares or other voting securities (other than pursuant to a stock split, stock dividend, or similar transaction), then a "Change in Control" shall be deemed to have occurred for purposes of this Paragraph 6(c).

(d) Disability. "Disability" shall mean the Executive's inability for a period of six consecutive months to render substantially the services provided for in this Agreement by reason of mental or physical disability, whether resulting from illness, accident or otherwise, other than by reason of chronic or persistent abuse of any substance (such as narcotics or alcohol). Notwithstanding the foregoing, no circumstances or condition shall constitute a Disability to the extent that, if it were, a 20% tax would be imposed under Section 409A of the Code; provided that, in such a case, the event or condition shall continue to constitute a Disability to the maximum extent possible (e.g., if applicable, in respect of vesting without an acceleration of distribution) without causing the imposition of such 20% tax. In addition, nothing herein shall limit or restrict the payment of any amount subject to Section 409A of the Code upon an otherwise permitted payment event under Section 409A of the Code, including upon a separation from service.

(e) Good Reason. "Good Reason" shall mean:

- (i) a material diminution in the Executive's title, duties or responsibilities;
- (ii) relocation of the Executive's place of employment without her consent outside the New York City metropolitan area;
- (iii) the failure of MFA to pay within thirty (30) business days any material payment due from MFA;
- (iv) the failure of MFA to pay within a reasonable period after the date when amounts are required to be paid to the Executive under any benefit programs or plans; or
- (v) the failure by MFA to honor any of its material obligations herein.

(f) Pre-Change-in-Control Event. A "Pre-Change-in-Control Event" shall mean the occurrence of any one of the following events:

- (i) the Board shall adopt a resolution to the effect that any person has taken actions which, if consummated, would result in such person acquiring effective control of the business and affairs of MFA;
- (ii) there shall commence a tender offer or proxy contest resulting in any of the transactions specified in subparagraphs (i)-(iii) of Paragraph 6(c);
- (iii) MFA shall make any agreement resulting in any of the transactions specified in subparagraphs (i)-(iii) of Paragraph 6(c);
- (iv) there shall be a public announcement of a transaction of the kind specified in subparagraphs (i)-(iii) of Paragraph 6(c); or
- (v) any other meeting, writing or written communication with, by or to the Board of Directors or any officer or executive of MFA, that is held, made or undertaken in good faith in anticipation of a Change in Control.

7. Restrictive Covenants.

(a) Confidentiality. During the Term of Employment, and at all times thereafter, the Executive shall maintain the confidentiality of all confidential or proprietary information of MFA and any of its subsidiaries or affiliates, if any, or of any other person or entity with which the Executive has been involved as a direct or indirect result of her employment by, or performance of consulting or other services (including, without limitation, as a director, officer, advisor, agent, consultant or other independent contractor) for, MFA or any of its subsidiaries or affiliates ("Confidential Information"), and, except in furtherance of the Business of MFA or as specifically required by law or by court order, she shall not directly or indirectly disclose any such information to any person or entity; nor shall she use Confidential Information for any purpose except for the benefit of MFA. For purposes of this Agreement, "Confidential Information" includes, without limitation: client or customer lists, identities, contacts, business and financial information; investment strategies; pricing information or policies, fees or commission arrangements of MFA; marketing plans, projections, presentations or strategies of MFA; financial and budget information of MFA; personnel information, personnel lists, resumes, personnel data, organizational structure, compensation and performance evaluations; information regarding the existence or terms of any agreement or relationship between MFA or any of its subsidiaries or affiliates and any other party; and any other information of whatever nature, which gives to MFA or any of its subsidiaries or affiliates an opportunity to obtain an advantage over its competitors who or which do not have access to such information. This restriction shall apply regardless of whether such Confidential Information is in written, graphic, recorded, photographic, data or any machine readable form or is orally conveyed to, or memorized by, the Executive; provided, however, that this Paragraph 7(a) shall not apply to Confidential Information that: (i) is or becomes publicly known through no act or omission on the Executive's part; (ii) was rightfully known by the Executive without confidentiality restriction before disclosure to the Executive by MFA; or (iii) becomes rightfully known by the Executive without confidentiality restriction from a source other than MFA that does not owe a duty of confidentiality to MFA with respect thereto.

(b) Prohibited Activities. Since the Executive's services to MFA are essential and because the Executive has access to MFA's Confidential Information, the Executive covenants and agrees that, during the Term of Employment and the one-year period following the termination of the Executive's employment with MFA for any reason, the Executive will not, without the prior written consent of MFA, directly or indirectly (individually, or through or on behalf of another entity as owner, partner, agent, employee, consultant, or in any other capacity), (i) solicit, encourage, or engage in any activity to induce any employee of MFA to terminate employment with MFA, or to become employed by, or to enter into a business relationship with, any other person or entity; or (ii) engage in any activity intentionally to interfere with, disrupt or damage the business of MFA of acquiring mortgage-backed securities, or its relationships with any client, supplier or other business relationship of MFA.

(c) MFA Materials. The Executive acknowledges that all originals and copies of materials, records and documents generated by her or coming into her possession during her employment by MFA are the sole property of MFA ("MFA Materials"). During her employment, and at all times thereafter, the Executive shall not remove, or cause to be removed, from the premises of MFA, copies of any record, file, memorandum, document, computer related information or equipment, or any other item relating to the business of MFA, except in furtherance of her duties under this Agreement. When the Executive terminates her employment with MFA, or upon request of MFA at any time, the Executive shall promptly deliver to MFA all originals and copies of MFA Materials in her possession or control and shall not retain any originals or copies in any form.

(d) No Disparagement. Each of the Executive and MFA agrees that, except as required by applicable law or compelled by process of law, during and after the Term of Employment they shall not with willful intent to damage the other, make any derogatory, disparaging or critical statement about the other party hereto or, further in the case of statements by the Executive, about (i) MFA, its parent, affiliates, or subsidiaries, if any; (ii) any product or service provided by MFA and its parent, affiliates or subsidiaries, if any; or (iii) MFA's and its parent's, affiliates' or subsidiaries', if any, prospects for the future. Nothing in this Paragraph shall prohibit either MFA or the Executive from testifying truthfully in any legal or administrative proceeding or from truthfully responding to any untrue statement by the other party.

(e) Transition. Regardless of the reason for her departure from MFA, the Executive agrees that at MFA's sole costs and expense, for a period of not more than 30 days after termination of the Executive, she shall take all steps reasonably requested by MFA to effect a successful transition of client and customer relationships to the person or persons designated by MFA, subject to the Executive's obligations to her new employer.

(f) Cooperation with Respect to Litigation. During the Term of Employment and at all times thereafter, the Executive agrees to give prompt written notice to MFA of any claim relating to MFA and to cooperate fully, in good faith and to the best of her ability with MFA in connection with any and all pending, potential or future claims, investigations or actions which directly or indirectly relate to any action, event or activity about which the Executive may have knowledge in connection with or as a result of her employment by MFA hereunder. Such cooperation will include all assistance that MFA, its counsel or its representatives may reasonably request, including reviewing documents, meeting with counsel, providing factual information and material, and appearing or testifying as a witness; provided, however, that MFA will reimburse the Executive for all reasonable expenses, including travel, lodging and meals, incurred by her in fulfilling her obligations under this Paragraph 7(f) and, except as may be required by law or by court order, should the Executive then be employed by an entity other than MFA, such cooperation will not materially interfere with the Executive's then current employment.

8. Indemnification.

MFA shall indemnify the Executive to the fullest extent permitted by Maryland law as amended from time to time in connection with the Executive's duties with MFA, against all costs, expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines, penalties, ERISA excise taxes and amounts paid in settlement) actually and reasonably incurred by the Executive in connection with an action, suit or proceeding. During the Term of Employment and for six years following the date of the Executive's termination as an officer of MFA, MFA (or any successor thereto) shall provide comprehensive coverage under its officers and directors insurance policy (or policies) on substantially the same terms and levels that it provides to its senior executive officers, at MFA's sole cost.

9. Assignability; Binding Nature.

This Agreement shall inure to the benefit of MFA and the Executive and their respective successors, heirs (in the case of the Executive) and assigns. No rights or obligations of MFA under this Agreement may be assigned or transferred by MFA except that any such rights or obligations may be assigned or transferred pursuant to a merger or consolidation in which MFA is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of MFA, provided that the assignee or transferee is the successor to all or substantially all of the assets of MFA and such assignee or transferee assumes the liabilities, obligations and duties of MFA, as contained in this Agreement, either contractually or as a matter of law. This Agreement shall not be assignable by the Executive.

10. Representation.

MFA represents and warrants that it is fully authorized and empowered to enter into this Agreement and that its entering into this Agreement and the performance of its obligations under this Agreement will not violate any agreement between MFA and any other person, firm or organization or any law or governmental regulation.

11. Entire Agreement.

This Agreement contains the entire agreement between MFA and the Executive concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between them with respect thereto.

12. Amendment or Waiver.

This Agreement cannot be changed, modified or amended without the consent in writing of both the Executive and MFA. No waiver by either MFA or the Executive at any time of any breach by the other party of any condition or provision of this Agreement shall be deemed a waiver of a similar or dissimilar condition or provision at the same or at any prior or subsequent time. Any waiver must be in writing and signed by the Executive or an authorized officer of MFA, as the case may be.

13. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

14. Reasonableness.

To the extent that any provision or portion of this Agreement is determined to be unenforceable by a court of law or equity, that provision or portion of this Agreement shall nevertheless be enforceable to the extent that such court determines is reasonable.

15. Survivorship.

The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

16. Governing Law.

This Agreement and all rights thereunder, and any controversies or disputes arising with respect thereto, shall be governed by and construed and interpreted in accordance with the laws of the State of New York, applicable to agreements made and to be performed entirely within such State, without regard to conflict of laws provisions thereof that would apply the law of any other jurisdiction.



17. Dispute Resolution.

In the event of any dispute, controversy or claim arising out of or relating to this Agreement or Executive's employment or termination thereof (other than a controversy or claim arising under Paragraph 7, to the extent necessary for MFA (or its affiliates, where applicable) to enforce the provisions thereof), the parties hereby agree to settle such dispute, controversy or claim in a binding arbitration by a single arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association, which arbitration shall be conducted in New York, New York. The parties agree that the arbitral award shall be final and non-appealable and shall be the sole and exclusive remedy between the parties hereunder. The parties agree that judgment on the arbitral award may be entered in any court having competent jurisdiction over the parties or their assets. All reasonable fees and expenses related to any such arbitration (including reasonable attorneys' fees and related disbursements) shall be paid by MFA.

18. Legal Fees.

MFA shall pay directly all reasonable legal fees incurred by the Executive in connection with the negotiation, preparation and execution of this Agreement.

19. Notices.

Any notice given to either party shall be in writing and shall be deemed to have been given when delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested, duly addressed to the party concerned, if to MFA, at its principal office, and if to the Executive, at the address of the Executive shown on MFA's records or at such other address as such party may give notice of.

20. Headings.

The headings of the paragraphs contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

21. Counterparts.

This Agreement may be executed in two or more counterparts.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

MFA Financial, Inc.

By: /s/ Stewart Zimmerman  
Name: Stewart Zimmerman  
Title: Chairman and Chief Executive Officer

By: /s/ Teresa D. Covello  
Name: Teresa D. Covello  
Title: Senior Vice President, Chief Accounting Officer and Treasurer

**EXHIBIT A**  
**MUTUAL RELEASE**

This Mutual Release of Claims (this "Release") is made as of \_\_\_\_\_, by and between MFA FINANCIAL, INC. (the "Company") and \_\_\_\_\_ (the "Executive").

1. Release by the Company.

(a) The Company on behalf of itself, its agents, successors, affiliated entities and assigns, in consideration for the Executive's execution and delivery of this Release, hereby forever releases and discharges the Executive, and her agents, heirs, successors, assigns, executors and administrators, from any and all known and unknown causes of action, actions, judgments, liens, indebtedness, damages, losses, claims, liabilities, and demands of whatsoever kind and character in any manner whatsoever arising on or prior to the date of this Release, including but not limited to (i) any claim for breach of contract, breach of implied covenant, breach of oral or written promise, defamation, interference with contract relations or prospective economic advantage, negligence, misrepresentation; (ii) any and all liability that was or may have been alleged against or imputed to the Executive by the Company or by anyone acting on its behalf; (iii) any punitive, compensatory or liquidated damages; and (iv) all rights to and claims for attorneys' fees and costs except as otherwise provided in her amended and restated employment agreement with the Company dated December [ ], 2009 (the "Employment Agreement").

(b) The Company shall not file or cause to be filed any action, suit, claim, charge or proceeding with any federal, state or local court or agency relating to any claim within the scope of this Release. In the event there is presently pending any action, suit, claim, charge or proceeding within the scope of this Release, or if such a proceeding is commenced in the future, the Company shall promptly withdraw it, with prejudice, to the extent it has the power to do so. The Company represents and warrants that its has not assigned any claim released herein, or authorized any other person to assert any claim on its behalf.

(c) Anything to the contrary notwithstanding in this Release or the Employment Agreement, this Release shall not apply to claims or damages based on (i) any right or claim that arises after the date on which the Company executes this Release, including any right to enforce the Employment Agreement with respect to provisions pertaining to matters that arise after the date of the Release and that survive termination of employment or (ii) any act of willful misconduct, gross negligence, fraud or misappropriation of funds.

2. Release by the Executive.

(a) The Executive, on behalf of himself, her agents, heirs, successors, assigns, executors and administrators, in consideration for the termination payments and other consideration provided for under the Employment Agreement, hereby forever releases and discharges the Company, and its successors, its affiliated entities, and, in such capacities, its past and present directors, employees, agents, attorneys, accountants, representatives, plan fiduciaries, successors and assigns from any and all known and unknown causes of action, actions, judgments, liens, indebtedness, damages, losses, claims, liabilities, and demands of whatsoever kind and character in any manner whatsoever arising on or prior to the date of this Release, including but not limited to (i) any claim for breach of contract, breach of implied covenant, breach of oral or written promise, wrongful termination, intentional infliction of emotional distress, defamation, interference with contract relations or prospective economic advantage, negligence, misrepresentation or employment discrimination, and including without limitation alleged violations of Title VII of the Civil Rights Act of 1964, as amended, prohibiting discrimination based on race, color, religion, sex or national origin; the Family and Medical Leave Act; the Americans With Disabilities Act; the Age Discrimination in Employment Act; other federal, state and local laws, ordinances and regulations; and any unemployment or workers' compensation law, excepting only those obligations of the Company pursuant to Paragraph 5 of the Employment Agreement or otherwise continuing under the Employment Agreement and any claims to benefits under any compensation or benefit plan, program or arrangement in which the Executive was participating as of the date of termination of her employment; (ii) any and all liability that was or may have been alleged against or imputed to the Company by the Executive or by anyone acting on her behalf; (iii) all claims for wages, monetary or equitable relief, employment or reemployment with the Company in any position, and any punitive, compensatory or liquidated damages; and (iv) all rights to and claims for attorneys' fees and costs except as otherwise provided in the Employment Agreement.

(b) The Executive shall not file or cause to be filed any action, suit, claim, charge or proceeding with any federal, state or local court or agency relating to any claim within the scope of this Release. In the event there is presently pending any action, suit, claim, charge or proceeding within the scope of this Release, or if such a proceeding is commenced in the future, the Executive shall promptly withdraw it, with prejudice, to the extent she has the power to do so. The Executive represents and warrants that she has not assigned any claim released herein, or authorized any other person to assert any claim on her behalf.

(c) In the event any action, suit, claim, charge or proceeding within the scope of this Release is brought by any government agency, putative class representative or other third party to vindicate any alleged rights of the Executive, (i) the Executive shall, except to the extent required or compelled by law, legal process or subpoena, refrain from participating, testifying or producing documents therein, and (ii) all damages, inclusive of attorneys' fees, if any, required to be paid to the Executive by the Company as a consequence of such action, suit, claim, charge or proceeding shall be repaid to the Company by the Executive within ten (10) days of her receipt thereof.

(d) BY HER SIGNATURE BELOW, THE EXECUTIVE ACKNOWLEDGES THAT:

(1) SHE HAS RECEIVED A COPY OF THIS RELEASE AND WAS OFFERED A PERIOD OF TWENTY-ONE (21) DAYS TO REVIEW AND CONSIDER IT;

(2) IF SHE SIGNS THIS RELEASE PRIOR TO THE EXPIRATION OF TWENTY-ONE DAYS, SHE KNOWINGLY AND VOLUNTARILY WAIVES AND GIVES UP THIS RIGHT OF REVIEW;

(3) SHE HAS THE RIGHT TO REVOKE THIS RELEASE FOR A PERIOD OF SEVEN (7) DAYS AFTER SHE SIGNS IT BY MAILING OR DELIVERING A WRITTEN NOTICE OF REVOCATION TO THE COMPANY'S GENERAL COUNSEL, NO LATER THAN THE CLOSE OF BUSINESS ON THE SEVENTH DAY AFTER THE DAY ON WHICH SHE SIGNED THIS RELEASE;

(4) THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE SEVEN DAY REVOCATION PERIOD HAS EXPIRED WITHOUT THE RELEASE HAVING BEEN REVOKED (THE "EFFECTIVE DATE");

(5) THIS RELEASE WILL BE FINAL AND BINDING AFTER THE EXPIRATION OF THE REVOCATION PERIOD REFERRED TO IN SECTION 2(d)(3). SHE AGREES NOT TO CHALLENGE ITS ENFORCEABILITY;

(6) SHE IS AWARE OF HER RIGHT TO CONSULT AN ATTORNEY, HAS BEEN ADVISED IN WRITING TO CONSULT WITH AN ATTORNEY, AND HAS HAD THE OPPORTUNITY TO CONSULT WITH AN ATTORNEY, IF DESIRED, PRIOR TO SIGNING THIS RELEASE;

(7) NO PROMISE OR INDUCEMENT FOR THIS RELEASE HAS BEEN MADE EXCEPT AS SET FORTH IN THIS RELEASE;

(8) SHE IS LEGALLY COMPETENT TO EXECUTE THIS RELEASE AND ACCEPT FULL RESPONSIBILITY FOR IT; AND

(9) SHE HAS CAREFULLY READ THIS RELEASE, ACKNOWLEDGES THAT SHE HAS NOT RELIED ON ANY REPRESENTATION OR STATEMENT, WRITTEN OR ORAL, NOT SET FORTH IN THIS DOCUMENT, AND WARRANTS AND REPRESENTS THAT SHE IS SIGNING THIS RELEASE KNOWINGLY AND VOLUNTARILY.

IN WITNESS WHEREOF, the parties have hereunto set their hands this \_\_\_\_\_ day of \_\_\_\_\_.

By: \_\_\_\_\_  
Name:  
Title: Executive

MFA FINANCIAL, INC.

By: \_\_\_\_\_  
Name:  
Title:

**MFA FINANCIAL, INC.**  
**CODE OF BUSINESS CONDUCT AND ETHICS**

**INTRODUCTION**

It is the policy of MFA Financial, Inc. (the “Company”) that its business shall be conducted in accordance with the highest moral, legal and ethical standards. The Company’s reputation for integrity is of the utmost importance and each officer, director and employee must contribute to the care and preservation of that asset.

This Code of Business Conduct and Ethics (the “Code of Conduct”) sets forth basic principles to guide all officers, directors and employees of the Company (collectively, “Company Personnel”). No code of business conduct or ethics can, however, effectively substitute for the thoughtful behavior of an ethical officer, director or employee. This Code of Conduct is presented to assist Company Personnel in guiding their conduct to enhance the reputation of the Company.

This Code of Conduct has been drafted broadly. In that respect, it is the Company’s intent to exceed the minimum requirements of the law and industry practice. Mere compliance with the letter of the law is not sufficient to attain the highest ethical standards. Good judgment and great care must also be exercised to comply with the spirit of the law and of this Code of Conduct.

This Code of Conduct is intended to meet the standards for a code of ethics under the Sarbanes-Oxley Act of 2002, as amended, and the listing standards of the New York Stock Exchange (the “NYSE”).

The Company intends to enforce the provisions of this Code of Conduct vigorously. Violations could lead to sanctions, including dismissal in the case of an officer or employee, as well as, in some cases, civil and criminal liability.

Upholding this Code of Conduct is the responsibility of every officer, director and employee of the Company. Executive officers of the Company are responsible for enforcement of this Code of Conduct among the officers and employees who report to them.

**QUESTIONS ABOUT THE CODE; REPORTING SUSPECTED VIOLATIONS**

Any questions about how to interpret this Code of Conduct should be raised with the compliance officer (the “Compliance Officer”) for this Code of Conduct. Timothy W. Korth, the Company’s General Counsel and Senior Vice President, has been designated as the Compliance Officer for purposes of enforcing this Code of Conduct and he may be contacted by telephone at (212) 207-6415 or by e-mail at [tkorth@mfa-reit.com](mailto:tkorth@mfa-reit.com).

If any Company Personnel knows of or suspects any illegal or unethical conduct, or any other violation of this Code of Conduct, they should promptly report this to the Compliance Officer. In dealing with any issues arising under, or relating to, this Code of Conduct, the Compliance Officer shall, to the extent necessary or appropriate, report to and/or confer with the members of the Company’s Board of Directors (the “Board”) and/or any of its committees. If any Company Personnel are not comfortable in doing so for any reason, or if they feel appropriate action is not being taken, they should contact the Company’s Chief Executive Officer or the Chairman of the Board’s Nominating and Corporate Governance Committee or Audit Committee, as appropriate. No Company Personnel shall be required to identify themselves when reporting a violation.

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To the extent possible, the Company will endeavor to keep confidential the identity of anyone reporting a violation of this Code of Conduct. The Company will also keep confidential the identities of Company Personnel about whom allegations of violations are brought, unless or until it is established that a violation has occurred. It is the Company's policy that retaliation against employees who report actual or suspected violations of this Code of Conduct is prohibited; anyone who attempts to retaliate will be subject to disciplinary action, up to and including dismissal.

## **COMPLIANCE WITH APPLICABLE LAWS**

The Company is committed to conducting its business in strict compliance with all applicable governmental, state and local laws, rules and regulations, including, but not limited to, laws, rules and regulations related to securities, labor, employment and workplace safety matters. As a public reporting company with its stock trading on the NYSE, the Company is also subject to regulation by the Securities and Exchange Commission ("SEC") and to the applicable listing standards of the NYSE. All Company Personnel are expected at all times to conduct their activities on behalf of the Company in accordance with this principle. Any violation of applicable laws, rules and regulations by any Company Personnel should be reported to the Compliance Officer. Company Personnel should seek guidance whenever they are in doubt as to the applicability of any law, rule or regulation or regarding any contemplated course of action.

## **CONFLICTS OF INTEREST**

The Company relies on the integrity and undivided loyalty of its officers, directors and employees to maintain the highest level of objectivity in performing their duties. Company Personnel are expected to avoid any situation in which their personal interests conflict, or have the appearance of conflicting, with those of the Company. Company Personnel must not allow personal considerations or relationships to influence them in any way when representing the Company in business dealings.

Conflicts of interest are prohibited as a matter of Company policy, except under guidelines approved by the Board. A conflict situation can arise when an officer, director or employee takes actions or has interests that may make it difficult to perform work on behalf of the Company objectively and effectively. Conflicts also arise when Company Personnel, or a member of his or her family, receives improper personal benefits as a result of his or her position with the Company.

Company Personnel must exercise great care any time their personal interests might conflict with those of the Company. The appearance of a conflict often can be as damaging as an actual conflict. Prompt and full disclosure is always the correct first step towards identifying and resolving any potential conflict of interest. Non-employee directors are expected to make appropriate disclosures to the Board and to take appropriate steps to recuse themselves from Board decisions with respect to transactions or other matters involving the Company as to which they are interested parties or with respect to which a real or apparent conflict of interest exists.

The following sections review several common problems involving conflicts of interest. The list is not exhaustive. Company Personnel have a special responsibility to use their best judgment to assess objectively whether there might be even the appearance of acting for reasons other than to benefit the Company and to discuss any conflict openly and candidly with the Company. Conflicts of interest may not always be evident and Company Personnel should consult with the Compliance Officer if they are uncertain about any situation.



## **Payments and Gifts**

Company Personnel who deal with the Company's securities and repurchase agreement counterparties, financial and other service providers, lenders, suppliers or other third parties are placed in a special position of trust and must exercise great care to preserve their independence. As a general rule, no Company Personnel should ever receive a payment or anything of value in exchange for a decision involving the Company's business. Similarly, no Company Personnel should ever offer anything of value to government officials or others to obtain a particular result for the Company. Bribery, kickbacks or other improper payments have no place in the Company's business.

The Company recognizes exceptions for token gifts, which are not excessive in value or are consistent with customary business practices, and customary business entertainment when a clear business purpose is involved. If you are in doubt about the policy's application, the Compliance Officer should be consulted.

## **Personal Financial Interests; Outside Business Interests**

Company Personnel should avoid any outside financial interests that might be in conflict with the interests of the Company. Except as contemplated by and approved in accordance with the Company's Related Party Transaction Policies and Procedures, no Company Personnel may have any significant direct or indirect financial interest in, or any business relationship with, a person or entity that does business with the Company or is a competitor of the Company. A financial interest includes any interest as an owner, creditor or debtor. Indirect interests include those through an employee's immediate family member or other person acting on his or her behalf. This policy does not apply to an employee's arms-length purchases of goods or services for personal or family use or to the ownership of shares in a publicly-held corporation.

Company Personnel should not engage in outside jobs or other business activities that compete with the Company in any way. Further, any outside or secondary employment (i.e., moonlighting) by employees may interfere with the job being performed for the Company and is discouraged. Under no circumstances may Company Personnel have outside business interests that are in any way detrimental or potentially detrimental to the best interests of the Company.

Company Personnel must disclose to the Compliance Officer any personal activities or financial interests that could negatively influence, or give the appearance of negatively influencing, your judgment or decisions with respect to the Company. The Compliance Officer will then determine if there is a conflict and, if so, how to resolve it without compromising the Company's interests.

## **Corporate Boards**

The director of an organization has access to confidential and sensitive information and charts the course of the entity. If Company Personnel are invited to serve as a director of an outside organization, the Company must take safeguards to shield both the Company and such individuals from even the appearance of impropriety. For that reason, any employee invited to join the board of directors of another organization (including a nonprofit or other charitable organization) must obtain the prior approval of the Chief Executive Officer or the Compliance Officer. Directors who are invited to serve on the board of directors of another organization should promptly notify the Chairman of the Board and the Nominating and Corporate Governance Committee.

### **Corporate Opportunities**

Company Personnel must not divert for personal gain any business opportunity in which the Company has an actual interest or a reasonable expectation of an interest. The duty of loyalty to the Company is violated if any Company Personnel personally profits from a business opportunity that rightfully belongs to the Company. This problem could arise, for example, if any Company Personnel becomes aware through the use of corporate property, information or position of an investment opportunity (either a loan or equity transaction) in which the Company is or may be interested, and then participates in the transaction personally or informs others of the opportunity before the Company has the chance to participate in the transaction. Company Personnel also are prohibited from using corporate property, information or position for personal gain. Company Personnel owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises and, in the case of a non-employee director, such director is aware of the Company's possible interest through use of corporate property, information or position.

### **Loans to Company Personnel**

The Company will not make any loans to, or guarantee any personal loans of, Company Personnel.

### **COMPLIANCE WITH SECURITIES LAWS**

As a public reporting company with its stock trading on the NYSE, the Company is subject to regulation by the SEC and to the applicable listing standards of the NYSE and to compliance with federal, state and local securities laws, rules and regulations (collectively, "Securities Laws"). As detailed in the Company's "Statement of Corporate Policy Regarding Equity Transactions," the Company insists on strict compliance with the spirit and letter of these Securities Laws and Company Personnel must pay particular attention to potential violations thereof.

### **PROPER USE AND PROTECTION OF COMPANY ASSETS**

Proper use and protection of the Company's assets is the responsibility of all Company Personnel. Company facilities, materials, equipment, information and other assets should be used only for conducting the Company's business and are not to be used for any unauthorized purpose. Company Personnel should guard against waste and abuse of Company assets in order to improve the Company's productivity.

### **CONFIDENTIALITY**

One of the Company's most important assets is its confidential corporate information. The Company's legal obligations and its competitive position often mandate that this information remain confidential.

Confidential corporate information relating to the Company's financial performance (e.g., quarterly financial results of the Company's operations) or other transactions or events can have a significant impact on the value of the Company's securities. Premature or improper disclosure of such information may expose the individual involved to onerous civil and criminal penalties.

Company Personnel must not disclose confidential corporate information to anyone outside the Company, except for a legitimate business purpose (such as contacts with the Company's accountants or its outside lawyers). Even within the Company, confidential corporate information should be discussed only with those who have a need to know the information. The obligation of Company Personnel to safeguard confidential corporate information continues even after they leave the Company.

The same rules apply to confidential information relating to other companies with which the Company does business. In the course of the many pending or proposed transactions that this Company has under consideration at any given time, there is a great deal of non-public information relating to other companies to which Company Personnel may have access. This could include "material" information that is likely to affect the value of the securities of the other companies.

Company Personnel who learn material information about lenders, customers, venture partners, acquisition targets or competitors through their work at the Company must keep it confidential and must not buy or sell stock in such companies until after the information becomes public. Company Personnel must not give tips about such companies to others who may buy or sell the stocks of such companies.

The Company has issued a detailed "Statement of Corporate Policy Regarding Equity Transactions" regarding the use of confidential information in connection with trading in securities. You should become familiar with this policy and the procedures it requires. If you have any questions regarding trading in the Company's securities or on the basis of confidential information, you should contact the Compliance Officer.

## **DEALINGS WITH THE PRESS AND COMMUNICATIONS WITH THE PUBLIC**

The Company's Chief Executive Officer, President and Chief Financial Officer are the Company's principal public spokesmen. If someone outside the Company asks Company Personnel questions or requests information regarding the Company, its business or financial results, do not attempt to answer. All requests for information - from reporters, securities analysts, stockholders or the general public - should be referred to the Chief Executive Officer, who will handle the request or delegate it to an appropriate person.

## **ACCOUNTING MATTERS**

### **Internal Accounting Controls**

The Company places the highest priority on "best practices" disclosure. The Company's annual reports, quarterly reports and press releases, and other public disclosure of the Company's financial results, reflect how seriously it takes this responsibility.

Company Personnel share this responsibility with senior management and the Board and must help maintain the integrity of the Company's financial records. The Company trusts that every employee understands that protecting the integrity of its information gathering, information quality, internal control systems and public disclosures is one of the highest priorities it has as a corporate entity.

It is imperative that any Company Personnel who observes conduct that causes him or her to question the integrity of the Company's internal accounting controls and/or disclosure, or otherwise doubt the accuracy of Company's financial reporting, bring such concerns to the Company's attention immediately. In accordance with the Company's "Whistleblowing Procedures for Accounting and Auditing Matters" policy, Company Personnel should promptly report any concerns to any member of the Audit Committee of the Board. If any Company Personnel are not comfortable providing their name, they may report such concerns anonymously. Any kind of retaliation against Company Personnel for raising such issues is strictly prohibited and will not be tolerated.

### **Improper Influence on the Conduct of Audits**

It is unlawful for Company Personnel, or any other person acting under the direction of any such persons, to take any action to fraudulently influence, coerce, manipulate, or mislead the independent accountants engaged in the performance of an audit of the Company's financial statements for the purpose of rendering such financial statements materially misleading. Any such action is a violation of this Code of Conduct. Any Company Personnel who engages in such conduct will be subject to sanctions under this Code of Conduct, including dismissal in the case of an employee, in addition to potential civil and criminal liability.

### **RECORDS RETENTION**

Company Personnel should retain documents and other records in accordance with the Company's record retention policy, if any, and otherwise for such period of time as they and their colleagues will reasonably need such records in connection with the Company's business activities. All documents not required to be retained for business or legal reasons, including draft work product, should not be retained and should be destroyed in order to reduce the high cost of storing and handling the vast amounts of material that would otherwise accumulate. However, under unusual circumstances, such as litigation, governmental investigation or if required by applicable state and federal law and regulations, the Compliance Officer may notify Company Personnel if retention of documents or other records is necessary.

### **FAIR DEALING**

It is the Company's policy to deal fairly with its customers, lenders, suppliers, competitors and Company Personnel. In the course of business dealings on behalf of the Company, no Company Personnel should take unfair advantage of another person or party through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair business practice.

### **DISCRIMINATION AND HARASSMENT**

The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate illegal discrimination or harassment of any kind. Company Personnel are encouraged to report any acts of discrimination or harassment to the Chief Executive Officer, President or Compliance Officer or to any member of the Nominating and Corporate Governance of the Board. If any Company Personnel are not comfortable providing their name, they may report these matters anonymously. Any kind of retaliation against Company Personnel for raising these issues is strictly prohibited and will not be tolerated.

### **HEALTH AND SAFETY**

The Company strives to provide Company Personnel with a safe and healthy work environment. Company Personnel have a responsibility for maintaining a safe and healthy workplace for all other Company Personnel by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices and conditions.

Violence and threatening behavior are not permitted. Company Personnel should report to work in a condition to perform their duties, free from the influence of illegal drugs and alcohol. The use of illegal drugs in the workplace will not be tolerated.

## **ENFORCEMENT**

The conduct of each Company Personnel matters vitally to the Company. A misstep by a single Company Personnel can cost the Company dearly; it undermines all of the reputations of all parties concerned. For these reasons, violations of this Code of Conduct may lead to significant penalties, including dismissal.

## **WAIVERS**

Any waiver of this Code of Conduct for executive officers or directors of the Company may be made only by the Board, or by a Committee of the Board specifically authorized for this purpose, and must be promptly disclosed to the Company's stockholders in accordance with the listing standards of the NYSE. Waivers of this Code of Conduct for non-officer employees may be made by the Chief Executive Officer or President, but only upon such employee making full disclosure in advance of the transaction in question. This Code of Conduct may be amended or modified at any time by the Board.

## **ACKNOWLEDGEMENT**

Company Personnel will be asked annually to sign a statement affirming that they have read and understood this Code of Conduct and that they are in compliance with this Code of Conduct.

*Adopted: March 30, 2004*  
*Reaffirmed: December 10, 2008*  
*Revised For Name Change: January 1, 2009*  
*Revised and Effective: January 1, 2010*