Redacted Version

APPENDIX TO JUNIOR PREFERRED PLAINTIFFS' COMBINED OPPOSITION TO OMNIBUS MOTION TO DISMISS

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APPENDIX

[1] The Appendix includes only the excerpts germane to the Junior Preferred Plaintiffs' arguments (RCFC Appendix E, ¶ 8) with the relevant language highlighted.

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APPENDIX

EXHIBIT A

Fannie Mae Update

Treasury Meeting

August 9, 2012

FannieMae

Annual Detail of Cumulative Dividends and SPSPA Draws

Fannie Mae

($ in Billions)

	2008-2011	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*
Comprehensive Income		11.6	7.5	11.0	12.5	13.9	13.2	12.2	11.4	10.9	10.5	10.5
Preferred Dividend Payment	19.8	11.6	11.8	12.1	12.2	12.2	12.2	12.2	12.2	12.2	12.3	12.5
Residual Equity	0.0	0.0	0.0	0.0	0.2	1.8	2.8	2.7	1.9	0.5	0.0	0.0
Cumulative Dividends	19.8	31.4	43.2	55.3	67.6	79.8	92.1	104.3	116.6	128.8	141.1	153.6
Cumulative SPSPA Draws	(116.1)	(116.1)	(119.0)	(121.2)	(121.5)	(121.5)	(121.5)	(121.5)	(121.5)	(121.5)	(122.9)	(124.8)
Cumulative Dividends Less Draws	*(96.3)*	*(84.7)*	*(75.8)*	*(65.9)*	*(53.9)*	*(41.7)*	*(29.4)*	*(17.2)*	*(4.9)*	*7.3*	*18.3*	*28.8*
SPSPA Funding Cap	240.9	240.9	240.9	240.9	240.9	240.9	240.9	240.9	240.9	240.9	240.9	240.9
Remaining Funding under SPSPA	124.8	124.8	122.0	119.7	119.5	119.5	119.5	119.5	119.5	119.5	118.1	116.1

Note: 2012-2016 figures from Fannie Mae July BOD corporate forecast. 2017-2022 figures are based on simplifying assumptions derived from trends observed within the 2012-2016 horizon.

Freddie Mac

($ in Billions)

	2008-2011	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*
Comprehensive Income		11.6	7.5	8.2	8.6	9.0	8.7	8.3	7.7	7.1	6.7	6.5
Preferred Dividend Payment	16.3	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4
Residual Equity	0.0	0.0	0.4	1.7	3.5	5.6	6.9	7.9	8.1	7.9	7.2	6.3
Cumulative Dividends	16.3	23.7	31.1	38.4	45.8	53.2	60.6	68.0	75.4	82.8	90.2	97.6
Cumulative SPSPA Draws	(72.2)	(116.1)	(73.0)	(73.0)	(73.0)	(73.0)	(73.0)	(73.0)	(73.0)	(73.0)	(73.0)	(73.0)
Cumulative Dividends Less Draws	*(55.9)*	*(92.4)*	*(41.9)*	*(34.5)*	*(27.1)*	*(19.7)*	*(12.3)*	*(4.9)*	*2.5*	*9.9*	*17.3*	*24.7*
SPSPA Funding Cap	220.5	221.3	221.3	221.3	221.3	221.3	221.3	221.3	221.3	221.3	221.3	221.3
Remaining Funding under SPSPA	148.3	105.2	148.3	148.3	148.3	148.3	148.3	148.3	148.3	148.3	148.3	148.3

Note: 2012-2022 figures are based on simplifying assumptions derived from Fannie Mae forecast trends and observed relationships between key Fannie Mae and Freddie Mac performance metrics. Reported 2011 results re-aligned as necessary to correspond to Fannie Mae management reporting.

Note: Numbers may not foot due to rounding

FannieMae

EXHIBIT B

IN THE UNITED STATES COURT OF FEDERAL CLAIMS
NO. 13-465 C
(FILED FEBRUARY 26, 2014)

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FAIRHOLME FUNDS, INC., ET AL

VS. RCFC 12(b); RCFC 12(b)(6); RCFC 56(d)

THE UNITED STATES
-----------------------------x

PROTECTED INFORMATION ONLY TO BE DISCLOSED

IN ACCORDANCE WITH PROTECTIVE ORDER

ORAL DEPOSITION OF MS. SUSAN MCFARLAND

HOUSTON, TEXAS

JULY 15TH, 2015

10:01 A.M.

Reported By:
SAMANTHA DOWNING, CSR
JOB NO. 39652

a meeting with Treasury whereby we reviewed our forecasts. I had expressed a view that I believed we were now in a sustainable profitability, that we would be able to deliver sustainable profits over time. I even mentioned the possibility that it could get to a point in the not-so-distant future where the factors might exist whereby the allowance on the deferred tax asset would be released. We were not there yet, but, you know, you could see positive things occurring.

So when the amendment went into place, part of my reaction was they did that in response to my communication of our forecasts and the implication of those forecasts, that it was probably a desire not to allow capital to build up within the enterprises and not to allow the enterprises to recapitalize themselves.

Q. (BY MR. THOMPSON) And with whom at Treasury do you have this meeting?

A. So the -- which meeting?

Q. The one you just referenced where --

A. Where I had the discussion about the forecasts?

Q. Yes.

A. So it was a common practice for us to meet with Treasury on a quarterly basis to review our results from the past quarter and to update them on our forecasts;

hear that the same comments I was making to Treasury, I was making to the Board.

Q. Okay. In the same timetable?

A. I don't remember exactly when the Board meetings were within that window, but it would have been Board meetings shortly before that that I would have reviewed this very same information.

Q. Okay. And when you say that you would have had dialogue with people at FHFA about the deferred tax assets, with who would you have had the dialogue?

Would that have been Mario Ugoletti?

MR. LAUFGRABEN: Object to the form of the question; vagueness as to time period.

A. Yeah.

So early on, it's probably through the Chief Accountant's office of the FHFA, because it is a technical accounting matter.

Q. And do you happen to recall --

A. I can pick him out of a lineup.

Q. Okay. We'll show you some names later on.

A. I tell you, I -- ask me a number, I can probably give it to you. People's names...

It would have started there. Eventually there were conversations with Director DeMarco and key direct reports of his, but that -- the -- those -- the

DeMarco conversations occurred when we were actually in the serious mode of potentially -- we were looking -- we did a full analysis at the end of the second quarter; no release. We did a full analysis at the end of the third quarter; no release.

When we were doing the analysis for the fourth quarter of 2012, we started to get to a point where we were tipping towards release, and that's when I began to have conversations with more senior folks at FHFA on it. But they were already aware of the statement that I made to Treasury. I mean, in general, I put it on people's radar screens that it's something that could happen in the not-so-distant future.

I will say that I believe Mary Miller asked me in this meeting about how large would it be and did I have any idea of when.

Q. Yeah.

A. And I believe my response was around 50 billion, but that could be larger or smaller depending upon when. The further out in time it is, the smaller it probably would be. It is part of the evidence that it might be good.

So the further out in time that it would be released, the smaller the release size would be.

But I said probably in the

50-billion-dollar range and probably sometime mid 2013 at that time when I met with them late July, early August 2012.

But I said we had not done a real in-depth analysis, so I was just kind of giving her kind of my off-the-cuff perspective in the moment.

Q. And FHFA was on notice that you had sent this message to Treasury?

A. Yes.

MR. LAUFGRABEN: Object to the form of the question.

A. Yes.

Q. (BY MR. THOMPSON) And they were on notice of that fact before the Third Amendment; is that right?

MR. LAUFGRABEN: Same objection.

A. Yes.

Q. (BY MR. THOMPSON) Okay. Now, if we look for -- let's look at some of these Board minutes, and we've actually -- we've been going -- well, that's fine.

Does -- do you need a break, or --

A. I am fine right now.

Q. Okay.

A. I am fine right now. If I need water, then I will need a break.

Q. Okay. Very good.

EXHIBIT C

[redacted]

EXHIBIT D

FEDERAL HOUSING FINANCE AGENCY

NEWS RELEASE

For Immediate Release
October 27, 2011

Contact: Corinne Russell (202) 414-6921
Stefanie Johnson (202) 414-6376

FHFA Updates Projections of Potential Draws for Fannie Mae and Freddie Mac

Washington, DC – The Federal Housing Finance Agency (FHFA) today released updated projections of the financial performance of Fannie Mae and Freddie Mac, including potential draws under the Senior Preferred Stock Purchase Agreements with the U.S. Department of the Treasury. FHFA first released financial projections in October 2010, and these updated projections show similar results for two out of three scenarios, and a decrease in cumulative Treasury draws in one scenario. Through the FHFA Conservator's Report, FHFA tracks actual performance versus projections on a quarterly basis.

(Attachment follows)

###

The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than $5.7 trillion in funding for the U.S. mortgage markets and financial institutions.

Summary

- This report provides updated information on possible future Treasury draws by Fannie Mae and Freddie Mac (the "Enterprises") under specified scenarios, using consistent assumptions for both Enterprises. FHFA published initial projections of the Enterprises' financial performance in October 2010. The report on the initial projections can be found in FHFA's Projections of the Enterprises' Financial Performance, October 2010. The projections have been updated to reflect the current outlook for house prices, interest rates, and recent trends in borrower behavior. The projection period has been extended an additional year.

- To date, the Enterprises have drawn $169 billion from Treasury under the terms of the Senior Preferred Stock Purchase Agreements (PSPAs), as amended, between the Treasury and each of the Enterprises. FHFA worked with the Enterprises to develop forward-looking financial projections across three possible house price paths. **Under the three scenarios used in the projections, cumulative Treasury draws (including dividends) at the end of 2014 range from $220 billion to $311 billion. In the initial projections released in October 2010, cumulative Treasury draws (including dividends) at the end of 2013 ranged from $221 billion to $363 billion.**

- The difference in the range of ending cumulative Treasury draws between the October 2010 projections and the October 2011 projections can be attributed primarily to the fact that actual results for the first year of the projection period in the October 2010 projections were substantially better than projected. (See page 8 for further details.)

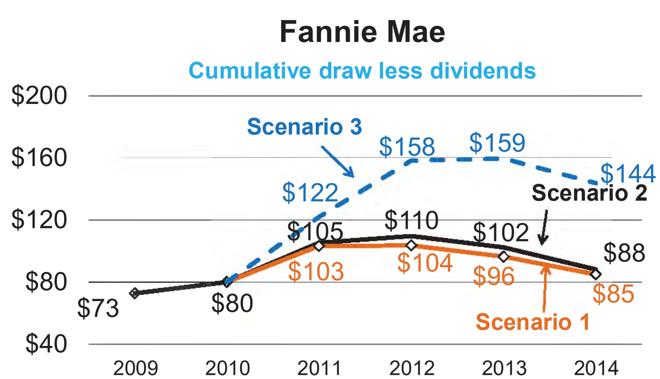
- The projections reported here are not expected outcomes. They are modeled projections in response to "what if" exercises based on assumptions about Enterprise operations, loan performance, macroeconomic and financial market conditions, and house prices. The projections do not define the full range of possible outcomes. Actual outcomes may be very different. This effort should be interpreted as a sensitivity analysis of future draws to possible house price paths.

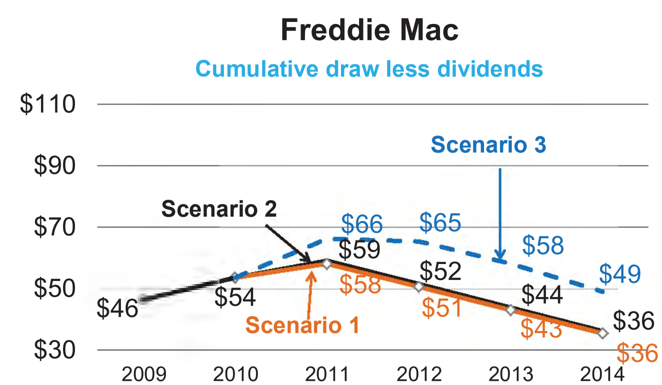
- FHFA provided the Enterprises with key assumptions for each scenario. The Enterprises used their respective internal models to project their financial results based on the assumptions provided by FHFA. While this effort achieves a degree of comparability between the Enterprises, it does not allow for actions that the Enterprises might undertake in response to the economic conditions specified in the scenarios. Those Enterprise-specific business changes could lead to different results across the scenarios than are presented in these projections.

Results (continued)

The Enterprises are required to pay a 10 percent dividend on the amount of funds drawn by the Enterprises under the Senior Preferred Stock Purchase Agreements (PSPAs) with Treasury. The PSPAs do not allow for dividends to reduce prior draws. However, for illustrative purposes, if dividend payments were subtracted from the projected cumulative draws, the net amounts would reach $121 billion under Scenario 1, $124 billion under Scenario 2, and $193 billion under Scenario 3. Most dividends to date have been paid from funds acquired with additional draws. The projections show a portion of future dividends being paid out of comprehensive income.

Figure 2: Cumulative Treasury Draws less dividends paid *($ in billions)*





Cumulative Treasury Draw through 2014 (Fannie Mae)

	Scenario 1	Scenario 2	Scenario 3
Related to operating losses and other*	$105	$110	$161
Related to senior preferred dividends	40	40	58
Cumulative Treasury Draw	$145	$150	$219
Senior preferred dividends (not financed through Treasury Draws)	$20	$22	$18
Total senior preferred dividends	$60	$62	$76

Cumulative Treasury Draw through 2014 (Freddie Mac)

	Scenario 1	Scenario 2	Scenario 3
Related to operating losses and other*	$58	$59	$66
Related to senior preferred dividends	17	17	26
Cumulative Treasury Draw	$75	$76	$92
Senior preferred dividends (not financed through Treasury Draws)	$22	$22	$17
Total senior preferred dividends	$39	$39	$43

*Operating losses and other refers to net losses reported on the income statement, changes in unrealized losses reported on the balance sheet, and the impact of other accounting changes for consolidation and security impairments.
In accordance with Senior Preferred Stock Purchase Agreements (PSPAs), the Enterprises are not permitted to paydown the Treasury draw amounts, even if the Enterprises generate positive net income or total comprehensive income.
Numbers may not foot due to rounding.

Comparison of October 2011 Projections to October 2010 Projections

The projection period for the current projections and the previous projections runs three and a half years. The current projection period runs through the end of 2014. The prior projection period runs through the end of 2013.

- In the October 2011 projections, the ending combined cumulative Treasury draw is $1 billion lower for scenario 1 and $51 billion lower for scenario 3 than the ending cumulative Treasury draw in the October 2010 projections. The difference can be attributed to three primary factors:
  - Actual results for the first year of the projection period were substantially better than projected. The actual combined Treasury draw was $19 billion lower for scenario 1 and $73 billion lower for scenario 3 than the projections (See Figure 5). This factor is partially offset by the next two factors.
  - Projected Treasury draws for the remainder of the initial projection period were $14 billion higher for scenario 1 and $16 billion higher for scenario 3 in the October 2011 projections; and
  - The projection period has been extended through 2014, adding $3 billion in Treasury draws for scenario 1 and $6 billion in Treasury draws for scenario 3.
- Drivers of the differences in the projected pattern of financial results include the following factors:
  - Recent observed trends show that borrowers with high MTM LTV loans and modified loans are performing better than previously projected.
  - The number of serious delinquent loans has declined as transition rates to later stages of delinquency are lower than previously projected.
  - Foreclosure delays pushed some defaults into later years of the projection period and beyond.
  - Recent observed trends indicate higher REO sales prices than previously projected.
  - Net interest income is higher in the current projection results due to lower interest rates, resulting in decreased funding costs and slightly higher average portfolio balances, driven by slower portfolio liquidations than previously projected.
  - The house price path in scenario 3 used in the current projections is better through the second quarter of 2012 and worse thereafter, compared to the corresponding house price path used in the October 2010 projections.

EXHIBIT E

Grant Thornton

November 8, 2011

Ms. Carole Banks
1500 Pennsylvania Avenue, N.W.
Met Square Room 6253
Washington, D.C. 20220

Re: Valuation of Treasury's Holdings of the Senior Preferred Stock of the Federal Home Loan Mortgage Corporation as of September, 30, 2011

Dear Ms. Banks,

As requested, we have determined the fair value of the Senior Preferred Stock, as defined further within our attached detailed report, that the U.S. Department of the Treasury received from the Federal Home Loan Mortgage Corporation pursuant to the Senior Preferred Stock Purchase Agreement dated September 7, 2008.

We understand that you will use our valuation for the purpose of your financial reporting for the fiscal year ended September 30, 2011, and that the appropriate value measure is fair value as determined in accordance with generally accepted accounting principles of the United States, in particular, ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 codified, effective July 1, 2009, Statement of Financial Accounting Standards No. 157, *Fair Value Measurement*, and other related authoritative guidance of the Financial Accounting Standards Board and the Securities and Exchange Commission on fair value measurement. Under ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Based upon the information and financial data provided by the Federal Home Loan Mortgage Corporation, as well as trading data that we gathered and analyses we performed, it is our opinion that the fair value of the Senior Preferred Stock is $53,624,000,000.

The conclusions and opinions expressed in this letter and the accompanying detailed report are contingent upon the qualifying factors set forth in the Assumptions and Limiting Conditions attached to this report. Our analyses, opinions, and conclusions were developed in conformity with the 2008 American Institute of Certified Public Accountants Statement of Standards for Valuation Services No. 1.

If you have any questions concerning this report and the conclusions it contains, please contact Anne Eberhardt at 212.542.9698.

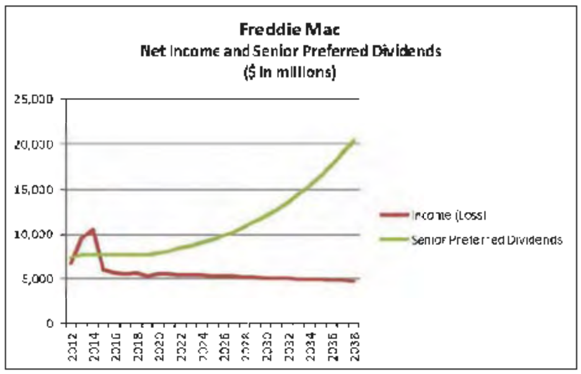
Very truly yours,

E. Bradley Wilson, CPA
Managing Partner of Audit – Global Public Sector
Grant Thornton LLP

with $66.2 billion of liquidation preference until the time when the Company no longer would be able to pay the dividends on the Senior Preferred Stock because the Company will have exhausted its liquidity commitment funding. It is reasonable to expect that Freddie Mac will continue its existing policy of paying dividends in cash because the maximum amount of the Commitment otherwise would be reached at an earlier date.

Discount Rate

From the measurement date through December 31, 2012, Treasury has no limit on its Commitment to the Company. Effectively, the Company's dividend obligation is guaranteed by the U.S. government during this period, and we used the Treasury rate as the discount rate for this period.



From December 31, 2012 through September 30, 2018, Freddie Mac is not projected to draw on the liquidity commitment to make its dividend payments because of increased earnings driven by significantly reduced credit losses in 2012 and 2014. However, net interest income gradually shrinks the Company's earning ability as the mortgage assets portfolio decreases in fulfillment of the terms of the PSPA, and by 2018, the Company is once again drawing on the liquidity commitment in order to fund its dividend payments. The chart above illustrates forecasted income and dividends until the exhaustion of the liquidity commitment. During the time from 2013 to September 2018, though the Company does not draw upon the liquidity commitment to fund its dividend payments, it nonetheless faces a high degree of uncertainty surrounding the timing and circumstances of its exit from conservatorship. To reflect this risk, we used a discount rate of 7.755 percent, which is consistent with the average yield on financial service sector preferred shares based on the Bank of America Merrill Lynch U.S. Preferred Stock Fixed Rate Index at the valuation date. (See Exhibit 2 for a calculation of the discount rate and the underlying data.)

After September 30, 2018, we used a discount rate of 14.568 percent to reflect the higher degree of uncertainty of forecasted earnings, the increased likelihood of exhausting the Treasury maximum liquidity commitment, and the vulnerability of the Company to highly uncertain political and economic conditions. To determine the discount rate, we summarized data from the Bank of America Merrill Lynch U.S. High Yield CCC and Lower Rated Index, adjusting for tenor and the preferred tax benefit. Exhibit 3 contains the calculation of the discount rate and our adjustment for tenor. The underlying data are provided in Appendix B.

We reviewed market instruments for corporate issuers that were highly correlated to the performance of the residential mortgage market as a means of comparison for the long-term risk of Freddie Mac's performance on the Senior Preferred shares. We noted that the mortgage guarantee companies, Mortgage Guaranty Insurance Company and Radian Group, had credit default swap contracts quoted at annual spreads of 1825 bps and 2475 bps, respectively.

EXHIBIT F

[redacted]

[redacted]

EXHIBIT G

[redacted]

EXHIBIT H

[redacted]

EXHIBIT I

Message

From:	Martin, Bradford [/O=FHFA/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=MARTINB]
Sent:	7/13/2012 3:36:21 PM
To:	DeMarco, Edward [edward.demarco@fhfa.gov]; Greenlee, Jon [jon.greenlee@fhfa.gov]; DeLeo, Wanda [wanda.deleo@fhfa.gov]; Pollard, Alfred [alfred.pollard@fhfa.gov]; Ugoletti, Mario [mario.ugoletti@fhfa.gov]; Burns, Meg [meg.burns@fhfa.gov]; Lawler, Patrick [patrick.lawler@fhfa.gov]; Spohn, Jeffrey [jeffrey.spohn@fhfa.gov]
CC:	Johnson, Mary [mary.johnson@fhfa.gov]; Keyes, Robert [robert.keyes@fhfa.gov]; Highfill, Owen [owen.highfill@fhfa.gov]; Bungenstock, Lindsey [lindsey.bungenstock@fhfa.gov]; Anderson, Philip [philip.anderson@fhfa.gov]; Martin, Bradford [bradford.martin@fhfa.gov]
Subject:	Fannie Mae Executive Management Meeting on July 9, 2012
Attachments:	Agenda 7.9.12 MC Meeting.pdf; Strategy Update - July 2012_070612_v1.pptx; Item IV.b ASF WhitePaper2012.pdf; Item IV.c.2012 FHFA Scorecard May Assessment and FHFA Summary Combined 7-5-12.pdf; Item IV.d. May 2012 Financial Update_Forecast v6.pdf

Fannie Mae Executive Management Meeting on July 9, 2012

Tim Mayopoulos began by welcoming Pascal Boillat as a new committee member to replace Ed Watson. Tim then recited a list of recent activities. He thought last week's joint Fannie/Freddie/FHFA meeting comparing notes on securitization efforts was both productive and illuminating. Fannie had pursued a technology focus whereas Freddie had concentrated on larger 'ecosystem' issues involving rules, guides and standards posed by the new regime. In many ways, the two approaches were "very additive". While Fannie would wait for FHFA to set up the next meeting, he wondered when Fannie might share with Freddie what they were actively building.

Tim told members that he had initiated a series of personal introduction calls to all key customers. A similar introductory letter would soon go out to all 1,400 business heads. As a prelude to next week's Board meeting, Phil Laskawy would attend this week's Operating Committee meeting.

GSE Strategy Update

Dave Benson walked through a draft copy of next week's Board strategy planning discussion intended to review areas where Fannie might facilitate the ongoing secondary market transition. The discussion was divided into three sections: (a) recap of current open questions (the existence and form of guarantee, prospects for private capital, potential business models); (b) the strategic goal of building a new infrastructure (the 'engine on the bench' plus integration of surrounding securitization functions); and (c) promoting public support for the goals of conservatorship through defined initiatives (e.g., credit risk transfer; REO-to-rental). Dave focused on the GSEs return to profitability as a key factor in building public support for the conservatorship. Current projections show that cumulative GSE dividends paid will surpass cumulative GSE Treasury draws by 2020. He referred to the next 8 years as likely to be "the golden years of GSE earnings". How the government divests itself of the GSEs is not yet clear – the legacy GSE debt and MBS book cannot be fully privatized. Dave intends to close by noting that SPSA amendments might be used to better serve conservatorship goals.

ASF Single Security White Paper

Dave Benson gave a brief recap of the American Securitization Forum's recent white paper – published "as a resource to FHFA" – that outlines somewhat disparate originator, investor and dealer views on a unified agency security. To achieve the goal of making GSE securities "fungible", all parties agree on the need for Fannie/Freddie standardization of : (1) underwriting guidelines; (2) loan delivery and pooling requirements; (3) payment and remittance schedules; (4) servicing standards and loan repurchase policies; (5) data disclosure policies; and (6) refinance programs terms. However, originators and investors disagree on the need for uniform guarantee pricing and public identification of GSE guarantor. Originators want fee competition, investors want identical terms. Investors want to know the counterparty, originators want a joint credit guarantee. Dave found it "fascinating" that the white paper promoted a near-term solution whereby Freddie Mac would outsource its loan delivery mechanism to Fannie Mae which would then issue a Single Agency Security.

2012 FHFA Scorecard Update

Susan McFarland summarized a thick packet on scorecard status to be presented at next week's Board meeting. She said that all items are either "on track or haven't yet started". When pressed, she agreed that several items could quickly turn to yellow or even red (i.e., initiate new risk sharing transactions) if FHFA were to disagree with Fannie Mae's prioritization proposals. The packet highlighted areas where Fannie required further guidance from FHFA to define the actual 2012 scorecard deliverable. Andrew Bon Salle mentioned that completion of the state-level pricing grid now rests entirely with FHFA.

Financial Forecast Update

Ann Gehring discussed highlights of the latest financial forecast. She noted that Q2's record projected income of $6.2 billion [since reduced to $5.5 billion] was twice the first quarter's and was all due to improved credit-related expenses. A planned new loss model release should make Q3 and Q4 results look better than previously forecast. Comprehensive income is now expected to be sufficient to cover the dividend obligation throughout 2012. Small Treasury draws are forecast throughout 2013. Cumulative 2012-2016 income is now forecast at $ 56.6 billion, $12.3 billion higher than the last projection. Given this large change from the prior forecast, Tim Mayopoulos wondered whether the Board might question the credibility of management's financial projections. He noted that the models seem to lag or underestimate both downturns and upturns. Ann explained that projections are closely tied to recent history and thus aren't well suited to capturing accelerating trends. Terry Edwards reminded members that a 1% change in home price projections produces a $6 - $7 billion income delta. As regards home prices, Anne said that Fannie Mae's projections have been shown to be consistently more accurate than other sources. Terry noted that the housing market seems to be improving despite the fact the shadow inventory is still massive – "it's as if the market is saying that it's going to remain out there and not flow through". Susan McFarland added that Jon Greenlee believes that a more conservative approach to projecting future market conditions may be warranted given the limited number of improved data points.

Roundtable Discussion

Zach Oppenheimer said that June loan deliveries topped $63 billion with 25% coming through the cash window. Total mortgage originations for the full year are now estimated at $1.5 trillion. Fannie Mae had about a 50% share of the $762 billion originated in the year's first half. Zach noted that the average charged guarantee fee had increased by another 2.5 bps to a level of 42.5 bps in June. With most of the increases hitting larger lenders, the favorable gap enjoyed by large lenders had now declined to about 1.7 bps. Despite offering some of the highest mortgage rates, Zach said that BofA still appeared to be volume constrained.

Jeff Hayward said that multifamily volumes are on track to hit $25 billion for the year, up from around $20 billion last year. The average charged fee is now 80 bps. Jeff said that this fee level reflected market price levels, mentioning Freddie as the other market player. Some expressed concern that banks and life insurance companies seemed to be largely out of the market. John Nichols wondered whether their absence might indicate that the market was getting a bit frothy.

EXHIBIT J

EXHIBIT K

IN THE UNITED STATES COURT OF FEDERAL CLAIMS

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FAIRHOLME FUNDS, INC, et al., :

Plaintiffs, :

v. : Case No. 13-465C

THE UNITED STATES, :

Defendant. :

\- - - - - - - - - - - - - - - - - - X

Washington, D.C.

Friday, May 15, 2015

CONFIDENTIAL - PROTECTED INFORMATION TO BE

DISCLOSED ONLY IN ACCORDANCE WITH PROTECTIVE ORDER

Videotaped Deposition of MARIO UGOLETTI, a witness herein, called for examination by counsel for Plaintiffs in the above-entitled matter, pursuant to notice, the witness being duly sworn by AMANDA BLOMSTROM, a Notary Public in and for the District of Columbia, taken at the offices of Cooper & Kirk, 1523 New Hampshire Avenue NW, Washington, D.C., at 9:34 a.m., Friday, May 15, 2015, and the proceedings being taken down by Stenotype by AMANDA BLOMSTROM, CRR/RMR/CLR/CSR, and transcribed under her direction.

that particular meeting was about.

BY MR. THOMPSON:

Q. Okay. Now, you did not raise the topic of the Net Worth Sweep with the companies until just a couple of days before August 17th; is that right?

MS. HOSFORD: Objection; assumes facts not in evidence.

THE WITNESS: I do not recall ra- -- I did not raise the topic with them. I'm not sure when Acting Director -- I can't, on this time line, I can't recall when Acting Director DeMarco actually -- and I'm pretty sure he called both companies and talked them through it. They did get a copy of what became close -- what became the final version to review. But that's, that's -- in terms of the time line, that's as far as I can remember.

BY MR. THOMPSON:

Q. But they weren't involved in the negotiations over the Net Worth Sweep, were they?

A. No. They weren't involved in negotiations over the PSPAs or any of the amendments to the PSPAs, or this amendment to the PSPA.

Q. But this amendment to the PSPA was driven by a perceived problem, right?

MS. HOSFORD: Objection; assumes facts not in evidence.

BY MR. THOMPSON:

Q. A problem that their funding commitment might be exhausted, right?

A. Right, and you've showed me enough of their views on what they thought the base case looked like, so why -- what -- so I understand what their views were.

Q. Okay. But my question is: Why not talk to them and see if they have thoughts on whether there are different alternatives to solve this problem?

A. Just not an issue that we would talk to the companies about.

Q. You didn't value their opinion?

MS. HOSFORD: Objection; argumentative.

THE WITNESS: We valued their opinion and, their opinion and understand what their opinion is, I understand it.

BY MR. THOMPSON:
Q. Okay. What was their reaction when they told all of their income would be swept to the federal government?
MS. HOSFORD: Objection; misstates the facts.
THE WITNESS: I don't, I don't recall a specific reaction that I could sit here and say --
BY MR. THOMPSON:
Q. Well, a --
A. -- this, this CEO said that, that CEO said that, I don't recall, I don't recall a specific one.
Q. Do you have a recollection of the general reaction?
A. Well, I think their general reaction was they probably were not too happy about it.
Q. Why not?
A. Well, in many camps within Fannie Mae and Freddie Mac, I mean, I think there were people, they, they certainly never liked the Treasury Department saying that they were going to be wound down. They didn't want to be wound down, right. You don't want

EXHIBIT L

UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA

PERRY CAPITAL LLC, Plaintiff, v. JACOB J. LEW, *et al.*, Defendants.	Civil Action No. 13-cv-1025 (RLW)
FAIRHOLME FUNDS, INC., *et al.* Plaintiffs, v. FEDERAL HOUSING FINANCE AGENCY, *et al.*, Defendants.	Civil Action No. 13-cv-1053 (RLW)
ARROWOOD INDEMNITY COMPANY, *et al.*, Plaintiffs, v. FEDERAL NATIONAL MORTGAGE ASSOCIATION, *et al.*, Defendants.	Civil Action No. 13-cv-1439 (RLW)

DECLARATION OF MARIO UGOLETTI

I, Mario Ugoletti, hereby declare, based on personal knowledge of the facts, as follows:

1. I am Special Advisor to the Office of the Director of the Federal Housing Finance Agency ("FHFA"), a role I assumed in September 2009. As Special Advisor, my responsibilities include advising FHFA's Acting Director Edward DeMarco concerning the Senior Preferred Stock Purchase Agreements ("PSPAs"), described *infra*. Additionally, I serve as the primary liaison with Treasury concerning the PSPAs and any amendments to the PSPAs.

2. I was employed at Treasury from 1995 to 2009, serving as Director of the Office of Financial Institutions Policy from 2004-2009. In that capacity, I participated in the creation and implementation of the PSPAs.

3. FHFA is an independent federal agency with regulatory authority over the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac") (together, the "Enterprises") and the twelve Federal Home Loan Banks ("Banks"). 12 U.S.C. § 4511.

4. On September 6, 2008, FHFA's Director appointed FHFA as Conservator of the Enterprises, and on September 7, 2008 FHFA as Conservator of the Enterprises entered into two materially identical Senior Preferred Stock Purchase Agreements (together, the "PSPAs") with the United States Treasury ("Treasury")—one for Fannie Mae and one for Freddie Mac. The Amended and Restated Agreements dated September 26, 2008 and subsequent amendments are currently available at http://www.fhfa.gov/Default.aspx?Page=364.

5. The PSPAs were a last resort after it became apparent that no infusions of capital from the private sector were forthcoming to save the Enterprises. *See Oversight Hearing to Examine Recent Treasury and FHFA Actions Regarding the Housing GSEs Before the H. Comm. on Financial Services*, 110th Cong., at 5 (Sep. 25, 2008) (statement of James B. Lockhart III,

nor Treasury envisioned at the time of the Third Amendment that Fannie Mae's valuation allowance on its deferred tax assets would be reversed in early 2013, resulting in a sudden and substantial increase in Fannie Mae's net worth, which was paid to Treasury in mid-2013 by virtue of the net worth dividend.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 17 day of DECEMBER 2013 at Washington, D.C.

By: Mario Ugoletti
MARIO UGOLETTI

Special Advisor to the Office of the Director,
Federal Housing Finance Agency

EXHIBIT M

From: Mary.Miller@treasury.gov
Sent: Wednesday, January 04, 2012 12:49 PM
To: DeMarco, Edward
Subject: Agenda for Discussion with FHFA
Attachments: FHFA Agenda 1.4.12 v2.docx

Ed – here is a draft agenda for discussion at 1pm. Talk to you then.

Mary

DRAFT SENSITIVE PRE-DECISIONAL

Agenda for Discussion w. FHFA

FHFA and Treasury share common goals to promote a strong housing market recovery, reduce government involvement in the housing market over time and to provide the public and financial markets with a clear plan to wind down the GSEs.

Actions necessary to facilitate this fall into three broad categories:

1. Near-term targeted actions to help the housing market recovery
    - Are there further steps we can take to ensure success of HARP 2.0? For example:
        - Convergence in GSE standards for all refinancing
        - Increased competition for cross servicer refinancing
        - Monitoring of lender results, including development of public scorecard
    - Is FHFA willing to support (i) extension/expansion of HAMP and (ii) GSEs making NPV positive MHA principal reduction modifications if incentive payments tripled and GSEs are eligible?
    - Successful execution of REO to Rental program
        - January announcement pilot sales in Q1 2012, with broader roll-out in Q2 2012
        - Potentially expand into targeted NPL sales in Q2/Q3 2012?
    - Reduce lender overlays, R&W uncertainties and other barriers to mortgage lending for qualified borrowers; coordinate with FHA
        - Announce policy goals / changes before the spring selling season
    - Explore potential NPV positive equity building refinance strategies
2. Establish meaningful policies that demonstrate a commitment to winding down the GSEs
    - Implement guarantee fee increases to achieve "market" pricing over time
        - Implications of recent legislation and potential need for further clarification
    - Initiate credit risk syndication and non-guaranteed mortgage securitizations on a quarterly basis, starting in 2H 2012
    - Align payment and servicing standards to create a fungible TBA security by 2013
    - Complete servicer compensation reform policy work in 2012; implement in 2013
    - Develop plan to manage resolution and disposition of legacy assets, potentially including pursuing a good bank / bad bank-type strategy in 2012, if economic
3. Ensure sufficient capital support for the GSEs during the transition period and thereafter

Treasury and the broader Administration are committed to help achieve these objectives

1. Willingness to explore options to restructure the Preferred Stock Purchase Agreements to reduce the burden associated with the 10% dividend rate
2. Work with FHFA to draft policy paper(s) on these Housing Market and GSE Reform goals
3. Commitment of resources
    - Treasury and Administration personnel
    - Potential Treasury engagement of a Financial Agent to assist in transition initiatives
    - MHA principal reduction incentive payments
4. Coordinated outreach effort to Congress and the public to ensure the merits of the policy initiatives are communicated appropriately and well supported

EXHIBIT N

Message

From:	Ugoletti, Mario [/O=FHFA/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=UGDETTIM]
Sent:	8/9/2012 10:52:11 AM
To:	DeMarco, Edward [edward.demarco@fhfa.gov]; Pollard, Alfred [alfred.pollard@fhfa.gov]; Laponsky, Mark [mark.laponsky@fhfa.gov]; Spohn, Jeffrey [jeffrey.spohn@fhfa.gov]; Greenlee, Jon [jon.greenlee@fhfa.gov]; Lawler, Patrick [patrick.lawler@fhfa.gov]; DeLeo, Wanda [wanda.deleo@fhfa.gov]; Satriano, Nicholas [nicholas.satriano@fhfa.gov]
CC:	Brown, Jan [jan.brown@fhfa.gov]
Subject:	PSPA Alert

Close Hold

As a heads up, there appears to be a renewed push to move forward on PSPA amendments. I have not seen the proposed documents yet, but my understanding is that largely the same as previous versions we had reviewed in terms of net income sweep, eliminating the commitment fee, faster portfolio wind down, and a deminimus safe harbor for ordinary course transactions. The one potential difference is not having separate covenants on g-fees, risk reduction, etc., but potentially one covenant requiring the Enterprises to present a plan to Treasury on how they are managing or reducing risk. Depending on the language that could be an improvement.

I am leaving for the day at around 11:00. When I get the proposed language I will have Jan forward it to this group. I have told Treasury we should plan on meeting on Monday morning, perhaps around 11:00 to discuss further. Mario.

EXHIBIT O

IN THE UNITED STATES COURT OF FEDERAL CLAIMS

\- - - - - - - - - - - - - - - - - - X

FAIRHOLME FUNDS INC, et al., :

Plaintiffs, :

v. : Case No. 13-465C

THE UNITED STATES, :

Defendant. :

\- - - - - - - - - - - - - - - - - - X

CONFIDENTIAL - PROTECTED INFORMATION TO BE

DISCLOSED ONLY IN ACCORDANCE WITH PROTECTIVE ORDER

Videotaped deposition of JIM PARROTT, a witness herein, called for examination by counsel for Plaintiffs in the above-entitled matter, the witness being duly sworn by AMANDA BLOMSTROM, a Notary Public in and for the District of Columbia, taken at the offices of Arnold & Porter, 601 Massachusetts Avenue, NW, Washington, DC, at 8:31 a.m., Wednesday, January 20, 2016, and the proceedings being taken down by Stenotype by AMANDA BLOMSTROM, CRR/RMR/CLR/CSR, and transcribed under her direction.

discussing with people on the Hill?

A. In this period or, or outside this --

Q. In or out, because it sounds like you can't remember. You might have had some conversations within this period, and I'm entitled to know what you recall. And if it's inside or outside, we'll figure that out through other means.

A. I actually don't think I had conversations with -- I don't recall having conversations with folks on the Hill during this period.

Q. What about the Net Worth Sweep, didn't you reach out to Shelby's people and other people to tell them about that?

MS. HOSFORD: Objection; calls for speculation, assumes facts not in evidence, mischaracterizes prior testimony.

THE WITNESS: I don't recall ever reaching out to the Hill about the Net Worth Sweep.

BY MR. THOMPSON:

Q. Okay. Why not? Wouldn't they have been interested in that?

A. This was, presumably you'll push to get into this, but this was a Treasury-driven process. So to the degree there was outreach to the Hill, it would have come from Treasury, not from, from me.

Q. Okay. A couple more background questions before --

THE WITNESS: Can I get some water; do you mind?

MR. THOMPSON: Oh, please, no.

MS. HOSFORD: Here, have this.

THE WITNESS: Thanks. All right.

MR. THOMPSON: Okay.

THE WITNESS: I would have like unplugged and blown everything up, so. I jumped up. Sorry.

BY MR. THOMPSON:

Q. Now, you're a senior fellow at the Urban Institute; is that right?

A. I am.

EXHIBIT P

[redacted]

EXHIBIT Q

[redacted]

EXHIBIT R

A058

Strategic Planning Session

Board of Directors

David Benson

July 19, 2012

A059

Executive summary

[redacted]

- Public support for these and other goals of the conservatorship can be fostered as GSE profitability improves. We expect to see a trend where dividend payments will exceed capital draws into the future.

[redacted]

SPSPA: An opportunity to fortify the transition to a new housing finance system

[redacted]

EXHIBIT S

[redacted]

[redacted]

EXHIBIT T

REFORMING AMERICA'S HOUSING FINANCE MARKET

A REPORT TO CONGRESS

February 2011

The Administration will work with the Federal Housing Finance Agency ("FHFA") to develop a plan to responsibly reduce the role of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") in the mortgage market and, ultimately, wind down both institutions. We recommend FHFA employ a number of policy levers – including increased guarantee fee pricing, increased down payment requirements, and other measures – to bring private capital back into the mortgage market and reduce taxpayer risk. As the market improves and Fannie Mae and Freddie Mac are wound down, it should be clear that the government is committed to ensuring that Fannie Mae and Freddie Mac have sufficient capital to perform under any guarantees issued now or in the future and the ability to meet any of their debt obligations. We believe that under our current Preferred Stock Purchase Agreements (PSPAs), there is sufficient funding to ensure the orderly and deliberate wind down of Fannie Mae and Freddie Mac, as described in our plan.

Successful reform will require more than just winding down Fannie Mae and Freddie Mac and reducing other government support to the housing market. In addition to fully implementing the reforms in the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") (Pub. L. 111-203), the Administration will mobilize all tools available to address the nation's broken system of mortgage servicing and foreclosure processing. Taken together, these steps will help restore trust in the underlying foundation of the mortgage market so borrowers, lenders, and investors have the confidence to purchase a home, issue a loan, or make an investment.

The government must also help ensure that all Americans have access to quality housing that they can afford. This does not mean our goal is for all Americans to be homeowners. We should continue to provide targeted and effective support to families with the financial capacity and desire to own a home, but who are underserved by the private market, as well as a range of options for Americans who rent their homes.

Finally, our plan presents several proposals for structuring the government's long-term role in a housing finance system in which the private sector is the dominant provider of mortgage credit. We evaluate these proposals according to their effects on four key criteria: access to mortgage credit; incentives for investment in the housing sector; taxpayer protection; and financial and economic stability. We ask Congress to work with us to determine the right balance of priorities for a new, predominantly private housing finance market as soon as possible.

Reform will not come overnight. Some reforms can take place immediately, like improvements to consumer protection and government oversight, while others will be implemented more gradually as the housing market heals.

We welcome the opportunity to work with Congress, independent regulators and agencies, and a wide range of stakeholders and partners to meet the goals laid out in the pages below.

EXHIBIT U

From: Bowler, Timothy
Sent: Saturday, August 18, 2012 8:09 AM
To: james_m_parrott@who.eop.gov
Subject: Re: Great job

Thanks Jim

----- Original Message -----
From: Parrott, Jim [mailto:James_M_Parrott@who.eop.gov]
Sent: Saturday, August 18, 2012 08:06 AM
To: Miller, Mary; LeCompte, Jenni; Stegman, Michael; Bowler, Timothy; Anderson, Matthew; Weideman, Christian; Moore, Megan; Chepenik, Adam; Dash, Eric
Subject: Great job

Team Tsy,

You guys did a remarkable job on the PSPAs this week. You delivered on a policy change of enormous importance that's actually being recognized as such by the outside world (or the reasonable parts anyway), and as a credit to the Secretary and the President. It was a very high risk exercise, which could have gone sideways on us any number of ways, but it didn't- great great work.

EXHIBIT V

FAQs

Questions and Answers on Conservatorship

9/7/2008

Q: What is a conservatorship?

A: A conservatorship is the legal process in which a person or entity is appointed to establish control and oversight of a Company to put it in a sound and solvent condition. In a conservatorship, the powers of the Company's directors, officers, and shareholders are transferred to the designated Conservator.

Q: What is a Conservator?

A: A Conservator is the person or entity appointed to oversee the affairs of a Company for the purpose of bringing the Company back to financial health.

In this instance, the Federal Housing Finance Agency ("FHFA") has been appointed by its Director to be the Conservator of the Company in accordance with the Federal Housing Finance Regulatory Reform Act of 2008 (Public Law 110-289) and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4501, et seq., as amended) to keep the Company in a safe and solvent financial condition.

Q: How is a Conservator appointed?

A: By statute, the FHFA is appointed Conservator by its Director after the Director determines, in his discretion, that the Company is in need of reorganization or rehabilitation of its affairs.

Q: What are the goals of this conservatorship?

A: The purpose of appointing the Conservator is to preserve and conserve the Company's assets and property and to put the Company in a sound and solvent condition. The goals of the conservatorship are to help restore confidence in the Company, enhance its capacity to fulfill its mission, and mitigate the systemic risk that has contributed directly to the instability in the current market.

There is no reason for concern regarding the ongoing operations of the Company. The Company's operation will not be impaired and business will continue without interruption.

Q: When will the conservatorship period end?

A: Upon the Director's determination that the Conservator's plan to restore the Company to a safe and solvent condition has been completed successfully, the Director will issue an order terminating the conservatorship. At present, there is no exact time frame that can be given as to when this conservatorship may end.

Q: What are the powers of the Conservator?

A: The FHFA, as Conservator, may take all actions necessary and appropriate to (1) put the Company in a sound and solvent condition and (2) carry on the Company's business and preserve and conserve the assets and property of the Company.

Q: What happens upon appointment of a Conservator?

A: Once an "Order Appointing a Conservator" is signed by the Director of FHFA, the Conservator immediately succeeds to the (1) rights, titles, powers, and privileges of the Company, and any stockholder, officer, or director of such the Company with respect to the Company and its assets, and (2) title to all books, records and assets of the Company held by any other custodian or third-party. The Conservator is then charged with the duty to operate the Company.

Q: What does the Conservator do during a conservatorship?

A: The Conservator controls and directs the operations of the Company. The Conservator may (1) take over the assets of and operate the Company with all the powers of the shareholders, the directors, and the officers of the Company and conduct all business of the Company; (2) collect all obligations and money due to the Company; (3) perform all functions of the Company which are consistent with the Conservator's appointment; (4) preserve and conserve the assets and property of the Company; and (5) contract for assistance in fulfilling any function, activity, action or duty of the Conservator.

Q: How will the Company run during the conservatorship?

A: The Company will continue to run as usual during the conservatorship. The Conservator will delegate authorities to the Company's management to move forward with the business operations. The Conservator encourages all Company employees to continue to perform their job functions without interruption.

Q: Will the Company continue to pays its obligations during the conservatorship?

A: Yes, the Company's obligations will be paid in the normal course of business during the Conservatorship. The Treasury Department, through a secured lending credit facility and a Senior Preferred Stock Purchase Agreement, has significantly enhanced the ability of the Company to meet its obligations. The Conservator does not anticipate that there will be any disruption in the Company's pattern of payments or ongoing business operations.

Q: What happens to the Company's stock during the conservatorship?

A: During the conservatorship, the Company's stock will continue to trade. However, by statute, the powers of the stockholders are suspended until the conservatorship is terminated. Stockholders will continue to retain all rights in the stock's financial worth; as such worth is determined by the market.

Q: Is the Company able to buy and sell investments and complete financial transactions during the conservatorship?

A: Yes, the Company's operations continue subject to the oversight of the Conservator.

Q: What happens if the Company is liquidated?

A: Under a conservatorship, the Company is not liquidated.

Q: Can the Conservator determine to liquidate the Company?

A: The Conservator cannot make a determination to liquidate the Company, although, short of that, the Conservator has the authority to run the company in whatever way will best achieve the Conservator's goals (discussed above). However, assuming a statutory ground exists and the Director of FHFA determines that the financial condition of the company requires it, the Director does have the discretion to place any regulated entity, including the Company, into receivership. Receivership is a statutory process for the liquidation of a regulated entity. There are no plans to liquidate the Company.

Q: Can the Company be dissolved?

A: Although the company can be liquidated as explained above, by statute the charter of the Company must be transferred to a new entity and can only be dissolved by an Act of Congress.

Contacts: Corinne Russell (202) 649-3032 / Stefanie Johnson (202) 649-3030

EXHIBIT W

[redacted]

[redacted]

[redacted]

EXHIBIT X

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

EXHIBIT Y

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

February 2, 2010

Honorable Christopher Dodd
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

Honorable Richard C. Shelby
Ranking Minority Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Barney Frank
Chairman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Honorable Spencer Bachus
Ranking Minority Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairmen and Ranking Members:

I am writing to update you on the conservatorships of Fannie Mae and Freddie Mac (the Enterprises). Recently there has been considerable speculation regarding how the future direction of the Enterprises' business activities interacts with their status in conservatorship. A key motivation for this letter is to provide greater clarity to policymakers and market participants on the Federal Housing Finance Agency's (FHFA) plans for the Enterprises' business activities while they operate in conservatorship.

The first part of the letter will review the establishment and purposes of the conservatorships, and how the conservatorships are operating. FHFA is focused on conserving the Enterprises' assets and meeting the goals of the conservatorship. The second part of the letter describes FHFA's views on the future direction of the Enterprises' business activities while they are in conservatorship, particularly: loan modifications and mitigating credit losses; retained portfolio; new products; and affordable housing mission.

1700 G Street, N.W., Washington, D.C. 20552-0003 • 202-414-3800 • 202-414-3823 (fax)

Background

Establishment and Purposes of the Conservatorships

After careful analysis and in consultation with the Secretary of the Treasury and the Chairman of the Board of Governors of the Federal Reserve System, FHFA placed each Enterprise into conservatorship on September 6, 2008. At that time and pursuant to the statute, FHFA set forth the purpose and goals of conservatorship as follows:

> The purpose of appointing the Conservator is to preserve and conserve the Company's assets and property and to put the Company in a sound and solvent condition. The goals of the conservatorship are to help restore confidence in the Company, enhance its capacity to fulfill its mission, and mitigate the systemic risk that has contributed directly to the instability in the current market.

Critical to the establishment of the conservatorships were the actions taken at the same time by Treasury, consistent with its authority granted in the Housing and Economic Recovery Act of 2008 (HERA), to establish three funding facilities. Two of these – the liquidity facility and the mortgage-backed securities purchase facility – expired as scheduled at the end of last year. The third facility – the Senior Preferred Stock Purchase Agreements (PSPAs) – was structured to provide ongoing financial support to the Enterprises to ensure they remain active participants in the marketplace. The PSPAs work by ensuring that the Enterprises maintain a positive net worth, and Treasury's initial financial commitment was up to $100 billion per company. As explained at the time of the conservatorships by Treasury Secretary Paulson:

> These agreements support market stability by providing additional security and clarity to GSE debt holders - senior and subordinated – and support mortgage availability by providing additional confidence to investors in GSE mortgage backed securities. This commitment will eliminate any mandatory triggering of receivership and will ensure that the conserved entities have the ability to fulfill their financial obligations. It is more efficient than a one-time equity injection, because it will be used only as needed and on terms that Treasury has set.

In the face of a potentially catastrophic failure of our nation's housing finance system, these actions, along with the Federal Reserve's decision a few months later to purchase Enterprise debt and mortgage-backed securities, succeeded in maintaining an important measure of stability in the housing finance market. As nearly all other non-governmental participants in housing finance abandoned the market, the Enterprises in conservatorship, operating with the benefit of the PSPAs, have ensured that credit continues to flow to housing. As evidence of this, the Enterprises' share in financing or guaranteeing new single-family mortgage production rose from 54 percent in 2006 to 73 percent in 2008 and 78 percent in 2009 through September. The Enterprises have also played a significant role in multifamily housing finance with their market share growing from 33 percent in 2006 to 79 percent in 2008 and 64 percent in 2009 through September.

EXHIBIT Z

FEDERAL HOUSING FINANCE AGENCY

Report to Congress 2010

Conservatorship of the Enterprises

When the deterioration of the subprime mortgage market began in early August of 2007, few were predicting that only one year later, the nation's economy would plunge into crisis. By 2008, most large financial institutions experienced diminished access to credit, and after the Lehman Brothers collapse, even nonfinancial firms could not obtain funds through normal channels.

The housing markets were at the center of the financial crisis. On September 6, 2008, using the power it had been granted just six weeks before in the Housing and Economic Recovery Act of 2008 (HERA), the legislation that created the agency, FHFA placed Fannie Mae and Freddie Mac (Enterprises) into conservatorships.

Extraordinary Action, Extraordinary Task

The government's extraordinary action was designed from the start to maintain access to funds for the production of sound new mortgages. The purpose of the conservatorships was to preserve and conserve each Enterprise's assets and property and restore the Enterprises to a sound financial condition so they could continue to fulfill their statutory mission of promoting liquidity and efficiency in the nation's housing finance markets. Because the private mortgage securitization market had already vanished and there were no other effective secondary market mechanisms in place, the Enterprises' continued operations were necessary to maintain liquidity in the secondary market and for mortgage originations to continue.

As conservator, FHFA has the powers of the management, boards, and shareholders of the Enterprises. However, the Enterprises continue to operate as business corporations. For example, they have chief executive officers and boards of directors, and must follow the laws and regulations governing financial disclosure, including requirements of the Securities and Exchange Commission. Like other corporate executives, the Enterprises' executive officers are subject to the legal responsibility to use sound and prudent business judgment in their stewardship of their companies.

At the inception of the conservatorships, FHFA made clear that the Enterprises would continue to be responsible for normal business activities and day-to-day operations. FHFA continues to exercise oversight as safety and soundness regulator and has a more active role as conservator. While FHFA has very broad authority, the focus of the conservatorships is not to manage every aspect of the Enterprises' operations.

Instead, FHFA reconstituted the boards of directors at each Enterprise and charged the boards with ensuring normal corporate governance practices and procedures are in place. The boards are responsible for carrying out normal board functions, but they remain subject to review and approval on critical matters by FHFA as conservator. The Enterprises are large, complex companies, and this division of responsibilities represents the most efficient structure for carrying out FHFA's responsibilities as conservator.

To manage the work of overseeing the Enterprises' conservatorships, FHFA formed an Office of Conservatorship Operations staffed with a half-dozen

Enterprise Employee Compensation

Setting a compensation strategy in an uncertain environment requires a delicate balancing act. It is difficult to make compensation comparisons to government programs like the Federal Housing Administration and Ginnie Mae, because the underlying structures of those programs were designed over many years to operate with government oversight of private sector participants. This is not the case with the Enterprises where the underlying structure was developed based solely on private sector interactions between the Enterprises and their business partners.

As conservator, FHFA has reduced the Enterprises' compensation for executive officers by an average of 40 percent, putting it at the same level it was 12 years ago. When higher compensated employees leave, the companies seek to fill those positions at lower compensation levels than paid to the departing employee, including at the executive level. FHFA is very mindful of keeping Enterprise compensation costs down, while retaining the talent to carry out the operations of the companies.

EXHIBIT AA

FEDERAL HOUSING FINANCE AGENCY

NEWS RELEASE

For Immediate Release
November 10, 2011

Contact: Corinne Russell (202) 414-6921
Stefanie Johnson (202) 414-6376

FHFA Responds to Letter from Senators on Executive Compensation

Today FHFA Acting Director Edward J. DeMarco responded to a letter from numerous U.S. Senators regarding executive compensation at Fannie Mae and Freddie Mac. Attached is the text of the letter.

###

The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than $5.7 trillion in funding for the U.S. mortgage markets and financial institutions

Federal Housing Finance Agency
1700 G Street, N.W., Washington, D.C. 20552-0003
Telephone: (202) 414-3800
Facsimile: (202) 414-3823
www.fhfa.gov

November 10, 2011

Dear Senator:

Thank you for your correspondence regarding executive compensation at Fannie Mae and Freddie Mac. At a time when the country faces persistent unemployment of nine percent or more and has an urgent need to address an enormous budget deficit, I well understand your concern about the possibility of any wasteful spending. Losses at Fannie Mae and Freddie Mac (the Enterprises) have already resulted in more than $170 billion in taxpayer expense, and I consider it the most important part of my job to minimize any further taxpayer costs.

When FHFA put the Enterprises into conservatorship in 2008, the individuals responsible for the Enterprises' failures left the companies and no severance or golden parachutes were permitted. In establishing a new executive compensation program, we reduced senior executive pay by an average of 40 percent, and developed, in consultation with the Treasury Department, a new pay structure similar to that designed for large, special-assistance TARP firms. FHFA announced the executive pay structure in late 2009 and that structure remains in place today. Over the past two years, we have reduced the number of top level positions, and as these positions turn over, we have further reduced pay levels.

By law, the conservatorships are intended to rehabilitate the Enterprises as private firms. Their officers are not public employees, and FHFA has used market compensation measures to target executive compensation at or below the median of comparable private sector positions at financial institutions roughly similar in size and/or complexity as the Enterprises. FHFA has followed the structure set forth for exceptional assistance TARP firms, a structure in keeping with requirements in the Enterprises' own charter acts for significant incentive compensation. Accordingly, one-third of each top executive's target compensation is based on a combination of individual and corporate performance. Furthermore, deferred salary is a significant component of the remainder of target compensation for the top executives in order to incentivize retention – executives who choose to leave the company forfeit it. One-half of deferred salary is based on corporate performance, thereby allowing for a reduction in effective salary should corporate performance lag expectations. Simply put, most of the so-called bonuses are simply deferred salaries.

We have worked hard to follow the law, best practices, and the lead of the Treasury in its compensation structure design for government-dependent firms. This structure helps to focus

EXHIBIT BB

Statement of

Edward J. DeMarco
Acting Director
Federal Housing Finance Agency

Before the House Financial Services
Subcommittee on Oversight and Investigations

December 1, 2011

Embargoed until delivery – 2PM EST

while policymakers considered and acted on a permanent resolution. More than three years later, we are still waiting for that resolution.

As conservator, FHFA stands in the place of each company's shareholders, boards, and management, with the responsibility to "preserve and conserve the assets and property" of the companies. The statute also charges the conservator with the responsibility to place the companies in "a sound and solvent condition." At the time the conservatorships were established, FHFA was less than six weeks old as an agency, and had fewer than 400 employees. To accomplish these responsibilities, FHFA made the practical judgment that the most effective means to carry out these functions was to replace the boards and senior management, and then delegate to new boards and management day-to-day responsibility. Since then, reconstituted boards of directors have worked with FHFA to define the operational goals in conservatorship and to support FHFA in its work to guide and oversee management in fulfilling these goals. Likewise, the new CEOs and executive officers have worked with FHFA to these same ends.

As conservator and regulator, FHFA has three principal mandates set forth in law that direct and motivate FHFA's activities and decisions involving the Enterprises.

First, as I have noted, FHFA has a statutory responsibility as conservator of the Enterprises to "take such action as may be: necessary to put the regulated entity in a sound and solvent condition; and appropriate to carry on the business of the regulated entity and preserve and conserve the assets and property of the regulated entity." As FHFA has stated on numerous occasions, with taxpayers providing the capital supporting the Enterprises' operations, this "preserve and conserve" mandate directs us to minimize losses on behalf of taxpayers.

Second, even though the Enterprises are in conservatorship, without further statutory changes they have the same mission and obligations as they did prior to being placed into conservatorship. FHFA has a statutory responsibility to ensure the Enterprises "operate in a safe and sound manner" and that "the operations and activities of each regulated entity foster liquid, efficient, competitive, and resilient national housing finance markets." We typically refer to this requirement as "supporting a stable and liquid mortgage market."

Third, under the Emergency Economic Stabilization Act of 2008, FHFA has a statutory responsibility to "implement a plan that seeks to maximize assistance for homeowners and use its authority to encourage the servicers of the underlying mortgages, and considering net present value to the taxpayer to take advantage of … available programs to minimize foreclosures."

These three mandates form the basis for how FHFA views its responsibilities as conservator of the Enterprises. In view of the critical and substantial resource requirements of conserving assets and restoring financial health, combined with a recognition that the Enterprises operate today only with the support of taxpayers, FHFA has focused the Enterprises on their existing core business, including minimizing credit losses. This means that FHFA is not permitting the Enterprises to offer new products or enter new lines of business. Their operations are focused on their core business activities and loss mitigation. This type of limitation on new business activities is consistent with the standard regulatory approach for addressing companies that are

EXHIBIT CC

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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): September 6, 2008

FEDERAL HOME LOAN MORTGAGE CORPORATION
(Exact name of registrant as specified in its charter)
Freddie Mac

Federally chartered corporation	**000-53330**	**52-0904874**
(State or other jurisdiction of incorporation)	*(Commission File Number)*	*(IRS Employer Identification No.)*

8200 Jones Branch Drive McLean, Virginia	**22102**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: **(703) 903-2000**

Not applicable
(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 *(see* General Instruction A.2. below):

☐ 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)) of an underwriter or placement agent. A copy of the warrant is attached to this report as Exhibit 10.2.

Under its Congressional charter, securities issued by Freddie Mac are "exempted securities" for purposes of the Securities Act of 1933. Accordingly, no registration statement for the issuance of the senior preferred stock or the warrant has been filed with the SEC.

Item 3.03. Material Modification to Rights of Security Holders

Under the terms of the Purchase Agreement, the senior preferred stock ranks senior to all other existing and future issues of preferred stock, common stock or other capital stock of Freddie Mac.

On September 7, 2008, the Director of FHFA, acting as conservator for Freddie Mac, adopted a resolution eliminating the par value of Freddie Mac's common stock and approving any amendment to the Seventh Amended and Restated Certificate of Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Voting Common Stock of Freddie Mac (the "Common Stock Certificate") necessary for such elimination. The resolution also increased the number of shares of Freddie Mac common stock authorized for issuance to 4,000,000,000 and approved any amendment to the Common Stock Certificate necessary for such increase. A copy of the amended Common Stock Certificate is attached as Exhibit 4.1 to this report.

As conservator, FHFA has succeeded to all rights and powers of Freddie Mac's common and preferred stockholders. The Purchase Agreement provides that, without the prior consent of Treasury, Freddie Mac shall not make any payment to purchase or redeem its capital stock, or pay any dividends, including preferred dividends (other than dividends on the senior preferred stock). The holders of Freddie Mac's existing common stock and preferred stock (other than the senior preferred stock) will retain all their rights in the financial worth of those instruments, as such worth is determined by the market.

Item 5.01. Changes in Control of Registrant

On September 6, 2008 the Director of FHFA appointed FHFA as conservator of Freddie Mac in accordance with the Reform Act and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. As conservator, FHFA is in control of Freddie Mac.

Specifically, the Reform Act provides that FHFA, as conservator, has

(i) all rights, titles, powers, and privileges of Freddie Mac, and of any stockholder, officer, or director of Freddie Mac with respect to Freddie Mac and its assets; and

(ii) title to the books, records, and assets of any other legal custodian of Freddie Mac.

As conservator, FHFA is authorized under the Reform Act to, among other things:

EXHIBIT DD

Statement

Statement of FHFA Director James B. Lockhart at News Conference Announcing Conservatorship of Fannie Mae and Freddie Mac

FOR IMMEDIATE RELEASE

9/7/2008

Good Morning

Fannie Mae and Freddie Mac share the critical mission of providing stability and liquidity to the housing market. Between them, the Enterprises have $5.4 trillion of guaranteed mortgage-backed securities (MBS) and debt outstanding, which is equal to the publicly held debt of the United States. Their market share of all new mortgages reached over 80 percent earlier this year, but it is now falling. During the turmoil last year, they played a very important role in providing liquidity to the conforming mortgage market. That has required a very careful and delicate balance of mission and safety and soundness. A key component of this balance has been their ability to raise and maintain capital. Given recent market conditions, the balance has been lost. Unfortunately, as house prices, earnings and capital have continued to deteriorate, their ability to fulfill their mission has deteriorated. In particular, the capacity of their capital to absorb further losses while supporting new business activity is in doubt.

Today's action addresses safety and soundness concerns. FHFA's rating system is called GSE Enterprise Risk or G-Seer. It stands for Governance, Solvency, Earnings and Enterprise Risk which includes credit, market and operational risk. There are pervasive weaknesses across the board, which have been getting worse in this market.

Over the last three years OFHEO, and now FHFA, have worked hard to encourage the Enterprises to rectify their accounting, systems, controls and risk management issues. They have made good progress in many areas, but market conditions have overwhelmed that progress.

The result has been that they have been unable to provide needed stability to the market. They also find themselves unable to meet their affordable housing mission. Rather than letting these conditions fester and worsen and put our markets in jeopardy, FHFA, after painstaking review, has decided to take action now.

Key events over the past six months have demonstrated the increasing challenge faced by the companies in striving to balance mission and safety and soundness, and the ultimate disruption of that balance that led to today's announcements. In the first few months of this year, the secondary market showed significant deterioration, with buyers demanding much higher prices for mortgage backed securities.

In February, in recognition of the remediation progress in financial reporting, we removed the portfolio caps on each company, but they did not have the capital to use that flexibility.

interest rates over the past year has been passed on to the mortgage markets. On top of that, Freddie Mac and Fannie Mae, in order to try to build capital, have continued to raise prices and tighten credit standards.

FHFA has not undertaken this action lightly. We have consulted with the Chairman of the Board of Governors of the Federal Reserve System, Ben Bernanke, who was appointed a consultant to FHFA under the new legislation. We have also consulted with the Secretary of the Treasury, not only as an FHFA Oversight Board member, but also in his duties under the law to provide financing to the GSEs. They both concurred with me that conservatorship needed to be undertaken now.

There are several key components of this conservatorship:

First, Monday morning the businesses will open as normal, only with stronger backing for the holders of MBS, senior debt and subordinated debt.

Second, the Enterprises will be allowed to grow their guarantee MBS books without limits and continue to purchase replacement securities for their portfolios, about $20 billion per month without capital constraints.

Third, as the conservator, FHFA will assume the power of the Board and management.

Fourth, the present CEOs will be leaving, but we have asked them to stay on to help with the transition.

Fifth, I am announcing today I have selected Herb Allison to be the new CEO of Fannie Mae and David Moffett the CEO of Freddie Mac. Herb has been the Vice Chairman of Merrill Lynch and for the last eight years chairman of TIAA-CREF. David was the Vice Chairman and CFO of US Bancorp. I appreciate the willingness of these two men to take on these tough jobs during these challenging times. Their compensation will be significantly lower than the outgoing CEOs. They will be joined by equally strong non-executive chairmen.

Sixth, at this time any other management action will be very limited. In fact, the new CEOs have agreed with me that it is very important to work with the current management teams and employees to encourage them to stay and to continue to make important improvements to the Enterprises.

Seventh, in order to conserve over $2 billion in capital every year, the common stock and preferred stock dividends will be eliminated, but the common and all preferred stocks will continue to remain outstanding. Subordinated debt interest and principal payments will continue to be made.

Eighth, all political activities—including all lobbying—will be halted immediately. We will review the charitable activities.

Lastly and very importantly, there will be the financing and investing relationship with the U.S. Treasury, which Secretary Paulson will be discussing. We believe that these facilities will provide the critically needed support to Freddie Mac and Fannie Mae and importantly the liquidity of the mortgage market.

One of the three facilities he will be mentioning is a secured liquidity facility which will be not only for Fannie Mae and Freddie Mac, but also for the 12 Federal Home Loan Banks that FHFA also regulates. The Federal Home Loan Banks have performed remarkably well over the last year as they have a different business model than Fannie Mae and Freddie Mac and a different capital structure that grows as their lending activity grows. They are joint and severally liable for the Bank System’s debt obligations and all but one of the 12 are profitable. Therefore, it is very unlikely that they will use the facility.

During the conservatorship period, FHFA will continue to work expeditiously on the many regulations needed to implement the new law. Some of the key regulations will be minimum capital standards, prudential safety and soundness standards and portfolio limits. It is critical to complete these regulations so that any new investor will understand the investment proposition.

EXHIBIT EE

U.S. DEPARTMENT OF THE TREASURY

Press Center

Statement by Secretary Henry M. Paulson, Jr. on Treasury and Federal Housing Finance Agency Action to Protect Financial Markets and Taxpayers

9/7/2008

hp-1129

Washington, DC-- Good morning. I'm joined here by Jim Lockhart, Director of the new independent regulator, the Federal Housing Finance Agency, FHFA.

In July, Congress granted the Treasury, the Federal Reserve and FHFA new authorities with respect to the GSEs, Fannie Mae and Freddie Mac. Since that time, we have closely monitored financial market and business conditions and have analyzed in great detail the current financial condition of the GSEs – including the ability of the GSEs to weather a variety of market conditions going forward. As a result of this work, we have determined that it is necessary to take action.

Since this difficult period for the GSEs began, I have clearly stated three critical objectives: providing stability to financial markets, supporting the availability of mortgage finance, and protecting taxpayers – both by minimizing the near term costs to the taxpayer and by setting policymakers on a course to resolve the systemic risk created by the inherent conflict in the GSE structure.

Based on what we have learned about these institutions over the last four weeks – including what we learned about their capital requirements – and given the condition of financial markets today, I concluded that it would not have been in the best interest of the taxpayers for Treasury to simply make an equity investment in these enterprises in their current form.

The four steps we are announcing today are the result of detailed and thorough collaboration between FHFA, the U.S. Treasury, and the Federal Reserve.

We examined all options available, and determined that this comprehensive and complementary set of actions best meets our three objectives of market stability, mortgage availability and taxpayer protection.

Throughout this process we have been in close communication with the GSEs themselves. I have also consulted with Members of Congress from both parties and I appreciate their support as FHFA, the Federal Reserve and the Treasury have moved to address this difficult issue.

Before I turn to Jim to discuss the action he is taking today, let me make clear that these two institutions are unique. They operate solely in the mortgage market and are therefore more exposed than other financial institutions to the housing correction. Their statutory capital requirements are thin and poorly defined as compared to other institutions. Nothing about our actions today in any way reflects a changed view of the housing correction or of the strength of other U.S. financial institutions.

I support the Director's decision as necessary and appropriate and had advised him that conservatorship was the only form in which I would commit taxpayer money to the GSEs.

I appreciate the productive cooperation we have received from the boards and the management of both GSEs. I attribute the need for today's action primarily to the inherent conflict and flawed business model embedded in the GSE structure, and to the ongoing housing correction. GSE managements and their Boards are responsible for neither. New CEOs supported by new non-executive Chairmen have taken over management of the enterprises, and we hope and expect that the vast majority of key professionals will remain in their jobs. I am particularly pleased that the departing CEOs, Dan Mudd and Dick Syron, have agreed to stay on for a period to help with the transition.

I have long said that the housing correction poses the biggest risk to our economy. It is a drag on our economic growth, and at the heart of the turmoil and stress for our financial markets and financial institutions. Our economy and our markets will not recover until the bulk of this housing correction is behind us. Fannie Mae and Freddie Mac are critical to turning the corner on housing. Therefore, the primary mission of these enterprises now will be to proactively work to increase the availability of mortgage finance, including by examining the guaranty fee structure with an eye toward mortgage affordability.

To promote stability in the secondary mortgage market and lower the cost of funding, the GSEs will modestly increase their MBS portfolios through the end of 2009. Then, to address systemic risk, in 2010 their portfolios will begin to be gradually reduced at the rate of 10 percent per year, largely through natural run off, eventually stabilizing at a lower, less risky size.

Treasury has taken three additional steps to complement FHFA's decision to place both enterprises in conservatorship. First, Treasury and FHFA have established Preferred Stock Purchase Agreements, contractual agreements between the Treasury and the conserved entities. Under these agreements, Treasury will ensure that each company maintains a positive net worth. These agreements support market stability by providing additional security and clarity to GSE debt holders – senior and subordinated – and support mortgage availability by providing additional confidence to investors in GSE mortgage backed securities. This commitment will eliminate any mandatory triggering of receivership and will ensure that the conserved entities have the ability to fulfill their financial obligations. It is more efficient than a one-time equity injection, because it will be used only as needed and on terms that Treasury has set. With this agreement, Treasury receives senior preferred equity shares and warrants that protect taxpayers. Additionally, under the terms of the agreement, common and preferred shareholders bear losses ahead of the new government senior preferred shares.

These Preferred Stock Purchase Agreements were made necessary by the ambiguities in the GSE Congressional charters, which have been perceived to indicate government support for agency debt and guaranteed MBS. Our nation has tolerated these ambiguities for too long, and as a result GSE debt and MBS are held by central banks and investors throughout the United States and around the world who believe them to be virtually risk-free. Because the U.S. Government created these ambiguities, we have a responsibility to both avert and ultimately address the systemic risk now posed by the scale and breadth of the holdings of GSE debt and MBS.

Market discipline is best served when shareholders bear both the risk and the reward of their investment. While conservatorship does not eliminate the common stock, it does place common shareholders last in terms of claims on the assets of the enterprise.

Similarly, conservatorship does not eliminate the outstanding preferred stock, but does place preferred shareholders second, after the common shareholders, in absorbing losses. The federal banking agencies are assessing the exposures of banks and thrifts to Fannie Mae and Freddie Mac. The agencies believe that, while many institutions hold common or preferred shares of these two GSEs, only a limited number of smaller institutions have holdings that are significant compared to their capital.

The agencies encourage depository institutions to contact their primary federal regulator if they believe that losses on their holdings of Fannie Mae or Freddie Mac common or preferred shares, whether realized or unrealized, are likely to reduce their regulatory capital below "well capitalized." The banking agencies are prepared to work with the affected institutions to develop capital restoration plans consistent with the capital regulations.

Preferred stock investors should recognize that the GSEs are unlike any other financial institutions and consequently GSE preferred stocks are not a good proxy for financial institution preferred stock more broadly. By stabilizing the GSEs so they can better perform their mission, today's action should accelerate stabilization in the housing market, ultimately benefiting financial institutions. The broader market for preferred stock issuance should continue to remain available for well-capitalized institutions.

The second step Treasury is taking today is the establishment of a new secured lending credit facility which will be available to Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. Given the combination of actions we are taking, including the Preferred Share Purchase Agreements, we expect the GSEs to be in a stronger position to fund their regular business activities in the capital markets. This facility is intended to serve as an ultimate liquidity backstop, in essence, implementing the temporary liquidity backstop authority granted by Congress in July, and will be available until those authorities expire in December 2009.

Finally, to further support the availability of mortgage financing for millions of Americans, Treasury is initiating a temporary program to purchase GSE MBS. During this ongoing housing correction, the GSE portfolios have been constrained, both by their own capital situation and by regulatory efforts to address systemic risk. As the GSEs have grappled with their difficulties, we've seen mortgage rate spreads to Treasuries widen, making mortgages less affordable for homebuyers. While the GSEs are expected to moderately increase the size of their portfolios over the next 15 months through prudent mortgage purchases, complementary government efforts can aid mortgage affordability. Treasury will begin this new program later this month, investing in new GSE MBS. Additional purchases will be made as deemed appropriate. Given that Treasury can hold these securities to maturity, the spreads between Treasury issuances and GSE MBS indicate that there is no reason to expect taxpayer losses from this program, and, in fact, it could produce gains. This program will also expire with the Treasury's temporary authorities in December 2009.

Together, this four part program is the best means of protecting our markets and the taxpayers from the systemic risk posed by the current financial condition of the GSEs. Because the GSEs are in conservatorship, they will no longer be managed with a strategy to maximize common shareholder returns, a strategy which historically encouraged risk-taking. The Preferred Stock Purchase Agreements minimize current cash outlays, and give taxpayers a large stake in the future value of these entities. In the end, the ultimate cost to the taxpayer will depend on the business results of the GSEs going forward. To that end, the steps we have taken to support the GSE debt and to support the mortgage market will together improve the housing market, the US economy and the GSEs' business outlook.

Through the four actions we have taken today, FHFA and Treasury have acted on the responsibilities we have to protect the stability of the financial markets, including the mortgage market, and to protect the taxpayer to the maximum extent possible.

And let me make clear what today's actions mean for Americans and their families. Fannie Mae and Freddie Mac are so large and so interwoven in our financial system that a failure of either of them would cause great turmoil in our financial markets here at home and around the globe. This turmoil would directly and negatively impact household wealth: from family budgets, to home values, to savings for college and retirement. A failure would affect the ability of Americans to get home loans, auto loans and other consumer credit and business finance. And a failure would be harmful to economic growth and job creation. That is why we have taken these actions today.

EXHIBIT FF

[redacted]

[redacted]

EXHIBIT GG

IN THE UNITED STATES COURT OF FEDERAL CLAIMS

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FAIRHOLME FUNDS, INC., et :
al., :
Plaintiffs, : Case No. 13-465C
v. :
THE UNITED STATES, :
Defendant. X

\- - - - - - - - - - - - - - - - -

Washington, D.C.
Tuesday, July 14, 2015

Deposition of JEFFREY ALAN FOSTER, a witness herein, called for examination by counsel for Defendant in the above-entitled matter, pursuant to notice, the witness being duly sworn by MARY GRACE CASTLEBERRY, a Notary Public in and for the District of Columbia, taken at the offices of Cooper & Kirk, 1523 New Hampshire Avenue, N.W., Washington, D.C., at 8:00 a.m., Tuesday, July 14, 2015, and the proceedings being taken down by Stenotype by MARY GRACE CASTLEBERRY, RPR, and transcribed under her direction.

capacity would not be sufficient to cover expected dividend payments.

Q. Now, when did Treasury come up with this idea to restructure the PSPAs to allow for variable dividend payment?

MR. DINTZER: Objection. Vague.

THE WITNESS: Can you be more specific?

BY MR. PATTERSON:

Q. When did Treasury first have the idea to restructure the PSPAs to allow for variable dividend payment based on positive net worth as stated in this document?

A. I don't know when Treasury came up with that idea. I began discussing it with colleagues in 2010.

Q. And with whom did you discuss that?

A. Counsel, Jeffrey Goldstein, Mary Miller, Tim Bowler, others within the department.

Q. Do you remember specifically who else within the department?

A. It went from a small group to a larger group over time. So at some point it included the

broader housing finance reform team.
Q. And was this your idea?
MR. DINTZER: Objection. Vague and confusing.
THE WITNESS: I don't know. Other people may have had this idea as well, but I had this idea.
BY MR. PATTERSON:
Q. And how did you come up with this idea?
MR. DINTZER: Objection. Vague. Confusing.
THE WITNESS: The original idea generated from a phone conversation between me and Mario Ugoletti about the challenges of the circularity of drawing to pay ourselves.
BY MR. PATTERSON:
Q. And when did that conversation take place?
A. Sometime in 2010.
Q. And did you discuss the idea of allowing for a variable dividend payment based on positive net worth with Mario Ugoletti at that point?
A. Yes.
Q. And what was Mr. Ugoletti's reaction to

[redacted]

[redacted]

EXHIBIT HH

[redacted]

[redacted]

EXHIBIT II

Message

From:	Goldblatt, Alan [/O=USTREASURY/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=GOLDBLATTA]
Sent:	8/13/2012 12:07:37 AM
To:	Chepenik, Adam [adam.chepenik@treasury.gov]; Datta, Ankur [ankur.datta@treasury.gov]; Mlynarczyk, Beth [beth.mlynarczyk@treasury.gov]; Stegman, Michael [michael.stegman@treasury.gov]; Anderson, MatthewDisabled [matthew.anderson@treasury.gov]; Moore, Megan [megan.moore@treasury.gov]; Colbert, Julian (Drew) [drew.colbert@treasury.gov]; Bowler, Timothy [timothy.bowler@treasury.gov]; Foster, JeffDisabled [jeff.foster@treasury.gov]; Dash, Eric [eric.dash@treasury.gov]; Roberts, Benson [benson.roberts@treasury.gov]
Subject:	RE: Updated PSPA Q&A
Attachments:	07 PSPA Announcement QA 8_11_12 - ag comments.doc

Please find my suggested edits redlined in the attached.

Alan

From: Chepenik, Adam
Sent: Sunday, August 12, 2012 6:46 PM
To: Datta, Ankur; Mlynarczyk, Beth; Stegman, Michael; Anderson, Matthew; Moore, Megan; Colbert, Julian (Drew); Bowler, Timothy; Foster, Jeff; Goldblatt, Alan; Dash, Eric; Roberts, Benson
Subject: Updated PSPA Q&A

Hi all,

The updated Q&A based on our call today is attached.

It is ready for Michael, Tim and Meghan's review and feedback.

In terms of timing, our goal is to send the document to Mary by tomorrow afternoon.

DRAFT
Sensitive and Pre-Decisional

- Most community banks have previously written-down their preferred stock holdings and therefore these changes should not affect community banks financial positions. [Can we add a citation here to a third-party source???]

[Beth] Doesn't this change mean you could give the GSEs a bigger bailout by providing more headroom under the PSPAs?

- These changes do not change the maximum cap of PSPA support for either GSE. However, it preserves the remaining capacity for true business activity and other financial losses – its original intended use - rather than using the capacity in a circular fashion to pay ~~the~~ Treasury the 10% dividend.
- By sweeping the full income of the GSEs each quarter, Treasury will receive no less from the GSEs as we would have under the previous 10 percent dividend. Essentially, ~~I~~it will ~~simply~~ stop the GSEs from *drawing from* Treasury in order to *pay* Treasury the 10% dividend~~in any given quarter~~ (note: it's actually more complicated).

[Ankur] Why are you providing the GSEs with a capital buffer under this agreement? How does the buffer work?

- The declining capital buffer, initially set to $3 billion, is ~~being~~ provided ~~simply~~ to avoid extraneous quarterly draws on ~~[~~Treasury~~/taxpayer] funds~~ that would otherwise occur as a result of the volatility in earnings arising from the GSEs' normal course of business. The capital buffer will be declining each year going forward and reach zero by 2018. Thus, within six years, the entire capital buffer will be eliminated and paid ~~returned~~ to ~~[~~Treasury~~/the taxpayer]~~.

HOUSING FINANCE REFORM

[Beth] Will this change reduce the urgency for fundamental long-term housing finance reform? Moreover, now that the GSEs are profitable again, can they just continue operating indefinitely as a public utility?

- These changes are consistent with Treasury's policy to wind-down the GSEs. ~~By s~~Sweeping the GSEs' ~~full~~ positive net worth~~income, it~~ helps ensure that the GSEs will not be able to rebuild capital as they are wound down.
- Furthermore, this provides a framework for the GSEs to be transitioned to a future housing finance system that is more reliant on private capital. This agreement sets out clear targets by requiring the GSEs to reducing the size of the mortgage holdings in their retained portfolios by 15 percent per year, a faster pace than before. And it forces the management of the GSEs to set concrete goals and timetables to reduce the operational and financial risk of the enterprises by requiring an annual risk management action plan. In other words, this effectively operationalizes our commitment to wind down the GSEs.
- However, we also recognize the housing market is still fragile and private capital has not yet returned in a robust manner. These changes strike an important balance. They will allow the