

Tara M Nadaf/HR/CF/CCI 11/17/2006 11:39 AM

To Chuck Quan/Managing Directors/CF/CCI@Countrywide

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Subject Re: ARM's Draft Agreement

Hi Chuck,

Below are my comments with regard to ARM's agreement. Hope they are helpful. Please let me know if you have any questions.

- Page 1 2nd and 3rd paragraph from bottom of the page, change Chair to Chairman for consistency
- Page 3 1st paragraph, 4th sentence, capitalize the C and E in chief executive officer for consistency
- Need to remember that anything paid over \$1M in base will need to be deferred per Section 4(g)
- Section 4(b)(i) states that the terms of his annual incentive will be based on the terms provided in the Amended and Restated CFC AiP. I could have sworm that the company did not Amend the AiP back in February and therefore the name of the plan in the ee agreement might be incorrect. Secondly, the current AiP on file only ellows for a payout of up to \$8M, so CFC will need to amend the AiP. If the company decition with go by the T&Cs in the AiP, then I believe we will need shareholder approval on this new agreement. Thirdly, I can't believe how low the ROE measures are. Over the past three years CFC's ROE has been in excess of 17%. Even DS's and SLK's incentive plan allowed for maximum payout to be made if ROE and EPS was over 17% and \$3.62, respectively. Once the ee agreement is filed, shareholders or newspapers might comment all over this evident fact.
- Section 4(c) since it states that the annual equity grant will be made "within" the first 90 days of each
 calendar year this will not coincide with the annual award date for the rest of the employees. Perhaps
 the agreement can be reworded to state "On e date occurring on the first business day in April of
 each year....." Additionally, should we confirm whether it was the Committee's Intention to issue stated appreciation rights, since the type SARs are not defined?
- If in the future RS and/or RSU are predominantly utilized, CFC will need to make sure that the number
 of full value shares issued are being tracked. We committed in the 2006 EIP that no more than 11M
 can be issued in aggregate of the 2000 and 2006 EIPs. I don't think are current systems can handle
 the tracking of the ROE performance measures, Ricky will need to provide you this info.
- Since the SERP Reimbursement will be made in RSUs and be time and perf-vested based on TSR, I
 believe only half of the award will be deductible under 162(m). However, according to Section 4(g),
 anything that does not meet the limitations of 162(m) will need to be deferred. Perhaps Legal has
 already addressed this, so can we please discuss?
- I thought earlier this year we changed the definition a CIC per Lehman Bro's recommendation. If so, then we will need to make sure that Appendix A is consistent with any changes previously made. I'm sure that Legal might already be on top of this, so please let me know if you want me to further explore.

Chuck Quon/Managing Directors/CF/CCI

Chuck Quon/Managing Directors/CF/CCI 11/14/2006 06:13 PM

- To Ricky Eugenio/HR/CF/CCI@Countrywide, Tara M Nadat/HR/CF/CCI@Countrywide
- cc Becky Belley/HR/CF/CCI@Countrywide, Lisa K Smith/HR/CF/CCI@Countrywide

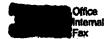
Subject ARM's Draft Agreement

Please review the attached ARM's draft agreement. We need to ensure we can execute to its terms and

Identify areas where we cannot or would have significant difficulty. Please get back to me by Friday.

[attachment ##696298 v6 - Mozilo Employment agreement deleted by Tara M Nadal/HR/CF/CCI] [attachment #700168 v1 - Redline A. Mozilo Agmt.doc" (attachment #700168 v1 - Redline Agmt.doc" (attachment #700168 v1 - Redli

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