



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT
1700 G STREET NW WASHINGTON DC 20552 (202) 414-3800

NEWS RELEASE

FOR IMMEDIATE RELEASE
September 4, 2003

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OFHEO TO MODIFY TERMS OF DEPARTURE OF FORMER FREDDIE MAC EXECUTIVES

Washington, DC – The Office of Federal Housing Enterprise Oversight (OFHEO) today initiated a regulatory process leading to the termination for cause of two former executives of Freddie Mac.

Pursuant to OFHEO's authority as the safety and soundness regulator of Freddie Mac, and as part of the agency's ongoing special examination of accounting and management practices there, OFHEO initiated a process that will lead to Leland Brendsel and Vaughn A Clarke being terminated for cause, as was David W. Glenn.

Consequently, OFHEO Director Armando Falcon Jr. has issued the attached show cause letter to Freddie Mac. The letter refers to the June 6, 2003 decision by the Freddie Mac Board of Directors that allowed Mr. Brendsel and Mr. Clarke to resign from their positions. Termination would prompt a recalculation of the compensation each person would have otherwise received with a resignation. OFHEO Director Falcon previously directed Freddie Mac to withhold payment of those benefits as outlined in the attached chart.

"Sound corporate governance requires a clear principle for top management: If you engage in improper conduct, you will be terminated for cause," Falcon said. "You will not be allowed to simply resign and walk away with large financial rewards."

The show cause letter directs the Board of Directors to provide a written response within ten working days.

[Attachments follow.](#)

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Shaun O'Malley
Chairman
Board of Directors
Freddie Mac
8200 Jones Branch Drive
McLean, Virginia 22102

Dear Chairman O'Malley:

The Board of Directors of Freddie Mac is hereby directed to show cause why a Notice of Charges for a Cease and Desist Order should not be issued pursuant to 12 USC 4631 and 12 CFR 1780 against the Corporation directing the termination for cause of Mr. Leland Brendsel and Mr. Vaughn Clarke as of June 6, 2003.

The Board of Directors shall provide a written response no later than ten working days from the date hereof. The response should be addressed to Alfred Pollard, General Counsel, OFHEO, 1700 G Street N.W., Washington, D.C. 20552. Any questions in this matter may be addressed to Mr. Pollard at (202) 414 3788.

Sincerely,

A handwritten signature in black ink, appearing to read "Armando Falcon, Jr.", written in a cursive style.

Armando Falcon, Jr.
Director

**BENEFITS THAT OFHEO HAS DIRECTED FREDDIE MAC
TO WITHHOLD PENDING REVIEW***

LELAND BRENDSEL

Severance (two years salary)	\$ 2,360,000
Bonus (prorated for 2003)	860,000
Accelerated vesting of stock options	2,332,000
Accelerated vesting of restricted stock	18,812,000
Present value of accrual pension benefits	4,357,000
Vested, but unexercised stock options	16,258,000
Deferred compensation	<u>8,684,000</u>
TOTAL	\$ 53,663,000

DAVID GLENN

Severance (two years salary)	\$ 1,750,000**
Bonus (prorated for 2003)	503,000**
Accelerated vesting of stock options	1,050,000**
Accelerated vesting of restricted stock	10,122,000**
Present value of accrual pension benefits	3,637,000
Vested, but unexercised stock options	6,175,000
Deferred compensation	<u>5,300,000</u>
TOTAL	\$ 28,537,000

The similarly withheld benefits of Vaughn Clarke are approximately \$1 million.

* Values are approximations. Stock values based on June 6, 2003 closing prices; options amounts based on intrinsic values only.

** Previously forfeited because of termination for cause.