



**Office of Federal Housing Enterprise Oversight
(OFHEO)**

NEWS RELEASE

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For Immediate Release

September 12, 2005

OFHEO Enters Into Consent Order with Freddie Mac

WASHINGTON, D.C. —The Office of Federal Housing Enterprise Oversight (OFHEO), safety and soundness regulator for Fannie Mae and Freddie Mac, today announced an agreement with Freddie Mac to settle the action brought against the company by OFHEO in late 2003. That action involved former employees allegedly engaging in improper accounting practices and failing to maintain proper internal controls.

“This settlement with the company is a significant step forward and allows us to focus our resources on the cases against former officers,” said OFHEO Acting Director Stephen A. Blumenthal.

As part of the stipulated consent order, Freddie Mac agreed to assist OFHEO in its ongoing administrative actions against the Enterprise’s former CEO Leland Brendsel and CFO Vaughn Clarke. Freddie Mac agreed to additional steps, e.g. seeking recovery of funds from separated officers, following the administrative actions against the former officers. The settlement follows a related action in which the Enterprise paid a civil money penalty of \$125 million in connection with allegedly improper accounting and inadequate governance practices.

Two Documents Follow

- **[Consent Order and Stipulation](#)**
- **[Production Agreement](#)**

OFHEO's mission is to promote housing and a strong national housing finance system by ensuring the safety and soundness of Fannie Mae and Freddie Mac.

UNITED STATES OF AMERICA
OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT
Order No. 2005-1

In the Matter of:

Federal Home Loan Mortgage Corporation

CONSENT ORDER

WHEREAS, on December 17, 2003, the Director of the Office of Federal Housing Enterprise Oversight (“OFHEO”) issued against the Federal Home Loan Mortgage Corporation (“Freddie Mac” or the “Enterprise”) a Notice of Charges (OFHEO No. 2003-1), under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, 12 U.S.C. § 4501 *et seq.*, and the Federal Home Loan Mortgage Corporation Act, 12 U.S.C. § 1451 *et seq.*, in which the Director seeks relief in the form of an Order that:

- (i) directs Freddie Mac to convert the June 2003 termination of Mr. Leland C. Brendsel, Freddie Mac’s former Chairman and Chief Executive Officer, to a termination for cause under Mr. Brendsel’s September 7, 1990, Employment Agreement with Freddie Mac;
- (ii) prohibits Freddie Mac from making, or causing to be made, any payments to Mr. Brendsel that exceed the payments to which Mr. Brendsel would be entitled if he had been terminated for cause under his September 7, 1990, Employment Agreement with Freddie Mac;
- (iii) directs Freddie Mac to convert the June 2003 termination of Mr. Vaughn A. Clarke, Freddie Mac’s former Executive Vice President and Chief Financial Officer, to a termination for loss of confidence; and

(iv) prohibits Freddie Mac from making, or causing to be made, any payments to Mr. Clarke that exceed the payments to which Mr. Clarke would be entitled if he had been terminated for loss of confidence under Freddie Mac Policy Number 3-254.1 Series III, Human Resources, Severance-Officers (May 15, 2001), specifically including any severance pay, restricted stock award or bonus.

WHEREAS, on December 17, 2003, the Director of OFHEO issued against Mr. Brendsel a Notice of Charges (OFHEO No. 2003-2), pursuant to 12 U.S.C. § 4631 *et seq.* and 12 C.F.R. § 1780 *et seq.*, in which the Director seeks relief in the form of an order that, among other things, prohibits Mr. Brendsel from pursuing or accepting any payments that exceed payments to which Mr. Brendsel would be entitled had he been terminated “for cause” under his September 7, 1990, Employment Agreement with Freddie Mac;

WHEREAS, on December 17, 2003, the Director of OFHEO issued against Mr. Clarke a Notice of Charges (OFHEO No. 2003-3), pursuant to 12 U.S.C. § 4631 *et seq.* and 12 C.F.R. § 1780 *et seq.*, in which the Director seeks relief in the form of an order that, among other things, prohibits Mr. Clarke from pursuing or accepting any payments that exceed the payments to which Mr. Clarke would be entitled had he been terminated for “loss of confidence” under Freddie Mac Policy Number 3-254.1 Series III, Human Resources, Severance-Officers (May 15, 2001), specifically including any severance pay, restricted stock award or bonus;

WHEREAS, the Enterprise, in order to avoid the expense and distraction of further litigation with OFHEO, has duly and lawfully executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated September 9, 2005, that is Attachment A to this Consent Order (the “Order”) and that is accepted by the Director, and by such Stipulation and Consent the Enterprise has consented to the issuance of this

Order by the Director before any evidentiary proceedings have been conducted in this matter, before the entry of any findings of fact or conclusions of law in this matter, and without the Enterprise admitting or denying any wrongdoing or any asserted or implied finding of fact or conclusion of law (except as set out in Attachment A as to OFHEO's authority to issue this Order), or any other asserted or implied basis for this Order; and

WHEREAS, the Director believes that entry into this Order with the Enterprise would be in the public interest and consistent with the purpose of the issuance of OFHEO Notice of Charges No. 2003-1;

NOW, THEREFORE, the Director, pursuant to the authority vested in him by 12 U.S.C. § 4631 *et seq.* and 12 C.F.R. § 1780 *et seq.*, hereby orders that:

As to Leland Brendsel

1. To the extent that the administrative enforcement action initiated by OFHEO through Notice of Charges No. 2003-2 results in a Final Order that Mr. Brendsel's June 2003 termination be converted to a termination "for cause" under Section 5.5 of Mr. Brendsel's September 7, 1990, Employment Agreement, Freddie Mac shall take all steps necessary to reflect on the relevant records of the Enterprise, including, without limitation, any relevant Board of Director and human resources records, that Mr. Brendsel was terminated "for cause" under his September 7, 1990, Employment Agreement with Freddie Mac;

2. To the extent that the administrative enforcement action initiated by OFHEO through Notice of Charges No. 2003-2 results in a Final Order that prohibits

Mr. Brendsel from pursuing or accepting any form of compensation that would exceed the payments to which Mr. Brendsel would be entitled had he been terminated “for cause” under his September 7, 1990, Employment Agreement with Freddie Mac, Freddie Mac shall not make, or cause to be made, to Mr. Brendsel after the date of such Final Order any further payment of any form of compensation that would result in Mr. Brendsel receiving, contrary to the terms of such Final Order, payments (including any severance compensation or benefits, restricted stock award or bonuses) under his September 7, 1990, Employment Agreement with Freddie Mac that would exceed the amount of any forms of compensation to which Mr. Brendsel would be entitled had he been terminated “for cause” under such Employment Agreement; and

3. If so directed by the Director of OFHEO, Freddie Mac shall take any and all lawful steps that are within its authority to obtain from Mr. Brendsel any relief awarded against Mr. Brendsel and for the benefit of Freddie Mac in any Final Order under 12 U.S.C § 4631 issued in action No. 2003-2; provided that nothing in this paragraph shall require Freddie Mac to take any steps, or pursue any action, other than the enforcement of such Final Order by Freddie Mac.

As to Vaughn Clarke

4. With regard to any forms of compensation still in its possession or control that Mr. Clarke claims are owed to him, Freddie Mac shall carry out the provisions of OFHEO Director’s Order No. 2004-001, dated October 12, 2004, that apply to it

in the event that OFHEO is successful in its appeal of the November 30, 2004 Memorandum Opinion and Order in Clarke v. OFHEO, Civil Action No. 04-1252 (U.S.D.C. D.C.) and that such Order No. 2004-001 is not otherwise stayed, set aside, vacated or overturned by an effective court order. Freddie Mac agrees that nothing in this provision or this Order bars OFHEO from taking whatever action it deems appropriate to attempt to enforce OFHEO Director's Order No. 2004-001, dated October 12, 2004, with regard to any forms of compensation still in Freddie Mac's possession or control that Mr. Clarke claims are owed to him, prior to the time such Order is ruled upon by the United States Court of Appeals for the District of Columbia, and OFHEO agrees that nothing in this provision or this Order bars Freddie Mac from taking whatever action it deems appropriate in response to such an attempt to enforce by OFHEO;

5. To the extent that OFHEO Notice of Charges No. 2003-3 results in a Final Order that Mr. Clarke's June 2003 termination be converted to a termination for "loss of confidence," "gross misconduct," or for any other alternative basis, Freddie Mac shall take all steps necessary to reflect on the relevant records of the Enterprise, including, without limitation, any relevant Board of Directors and human resources records, that Mr. Clarke was terminated upon the basis set forth in the Final Order;
6. To the extent that OFHEO Notice of Charges No. 2003-3 results in a Final Order that prohibits Mr. Clarke from pursuing or accepting payment of any form of compensation, or which otherwise restricts or limits the amount of compensation

that is still in Freddie Mac's possession or control and that Mr. Clarke may be entitled to receive, Freddie Mac shall not make, or cause to be made, to Mr. Clarke after the date of such Final Order any further payment of any form of compensation that would result in Mr. Clarke receiving, contrary to the terms of such Final Order, payments (including any severance compensation or benefits, restricted stock award or bonuses) that would exceed the payments to which Mr. Clarke would be entitled under the Final Order; and

7. If so directed by the Director of OFHEO, Freddie Mac shall take any and all lawful steps that are within its authority to obtain from Mr. Clarke any relief awarded against Mr. Clarke and for the benefit of Freddie Mac in any Final Order under 12 U.S.C § 4631 issued in action No. 2003-3; provided that nothing in this paragraph shall require Freddie Mac to take any steps, or pursue any action, other than the enforcement of such Final Order by Freddie Mac.

As to Both Mr. Brendsel and Mr. Clarke

8. Freddie Mac shall, within 30 days of the effective date of this Order, provide OFHEO with the names of all present and former employees of Freddie Mac and other persons who have or may have information relevant to the allegations in Notices of Charges Nos. 2003-2 and 2003-3, which names shall consist of the names of all present and former employees of Freddie Mac who were interviewed by Baker Botts, deposed by OFHEO or the SEC, or named as senders or recipients of documents in Freddie Mac's litigation management document database relevant to the Freddie Mac restatement for 2000-2002.

9. Freddie Mac shall arrange and facilitate OFHEO interviewing, normally in a non-transcribed format, any current Freddie Mac employees regarding the allegations of Notices of Charges Nos. 2003-2 and 2003-3, and shall encourage its employees to cooperate in such interviews. Freddie Mac shall promptly facilitate the scheduling of interviews upon OFHEO's request and shall provide logistic support for the interviews, if requested by OFHEO. Employee interviews shall be held during the employees' normal work hours, and shall be scheduled on dates and at times and locations that are mutually agreeable, unless an employee and OFHEO otherwise agree. Any current employee may be accompanied to an OFHEO interview by counsel for Freddie Mac and, if the employee so elects, counsel for the employee.

10. Within 30 days of Freddie Mac's receipt of notification from OFHEO of any former Freddie Mac employees OFHEO wishes to interview, Freddie Mac shall provide OFHEO with the last known address of such former employees as reflected in Freddie Mac's records and, at OFHEO's request, encourage any former employee to cooperate with OFHEO. When OFHEO cannot contact a former employee through his or her last known address provided by Freddie Mac, Freddie Mac shall promptly (a) make its best efforts to locate the former employee and (b) report the former employees' whereabouts to OFHEO. Any former employee may be accompanied to an OFHEO interview by counsel for the employee, if the employee so elects, and with the agreement of OFHEO, counsel for Freddie Mac.

11. Freddie Mac shall, within 45 days of signing this Order, provide OFHEO with CDs containing copies of all documents that have been produced to the plaintiffs in the civil securities litigation pending against Freddie Mac, except for documents that Freddie Mac has already furnished to OFHEO. The documents shall be provided to OFHEO on CDs in a manner to be agreed by OFHEO and Freddie Mac. Freddie Mac shall undertake all reasonable efforts to determine which documents it has already produced to OFHEO in order to minimize any possible duplication of document production to OFHEO. Any and all additional documents subsequently produced to plaintiffs by Freddie Mac in the pending civil litigation or any newly filed third-party securities litigation relating to the allegations in Notices of Charges 2003-2 and 2003-3 shall be produced to OFHEO, within ten business days of producing the documents in the civil litigation, in a manner to be agreed by OFHEO and Freddie Mac.

12. Freddie Mac shall within 20 days of the effective date of this Order explain to OFHEO the extent and scope of the document searches it has conducted in connection with the Baker Botts investigation, the Special Examination of Freddie Mac conducted by OFHEO, the SEC investigation of Freddie Mac, the investigation conducted by the Office of the U.S. Attorney for the Eastern District of Virginia and the third party civil litigation pending against Freddie Mac (collectively hereafter, “the searches”), and, to the best of its ability, answer any questions OFHEO may have regarding the conduct, scope and extent of the searches.

13. Freddie Mac shall within 30 days of the effective date of this Order explain to OFHEO the organization and categories of documents it has previously provided to OFHEO in connection with the searches, and, to the best of its ability, answer any questions OFHEO may have regarding the organization and categories of documents it has previously provided OFHEO in connection with the searches.

14. On a schedule mutually agreed to by OFHEO and Freddie Mac, or in any case no later than 120 days of the effective date of this Order, Freddie Mac shall complete all undertakings and produce to OFHEO all documents and categories of documents mutually agreed to by OFHEO and Freddie Mac, in a format to be agreed by OFHEO and Freddie Mac; provided that Freddie Mac does not waive its right to assert any privileges that it may claim as to any document or category of documents.

15. Upon completion of the provisions of paragraphs 12-14 above, OFHEO may identify to Freddie Mac particular documents or discrete categories of documents that OFHEO has reason to believe have not been searched for or produced in connection with the searches. If OFHEO identifies such documents or categories of documents to Freddie Mac, Freddie Mac either will (a) search for and produce them, (b) produce them if no search is required, or (c) provide OFHEO the information necessary for it to find the documents among those produced by Freddie Mac in connection with the searches. If OFHEO, in consultation with Freddie Mac, still is unable to locate the identified documents among the documents it has received from Freddie Mac, Freddie Mac will conduct another search for the identified documents and, if possible, produce them to OFHEO. In

the event that Freddie Mac notifies OFHEO that Freddie Mac objects to OFHEO's request (*e.g.*, on grounds that it is unreasonable or overbroad), which Freddie Mac must do within 20 days of a request or forfeit its right to do so, then OFHEO shall be able to seek the documents pursuant to 12 C.F.R. § 1780.28 by filing a third party subpoena for the documents in OFHEO administrative actions No. 2003-2 or No. 2003-3, and Freddie Mac may oppose the request as provided by that regulation.

16. Production of documents by Freddie Mac to OFHEO in connection with this Order shall be subject to the June 9, 2003, agreement with OFHEO, the Protective Order in this action (entered May 5, 2004), and the July 15, 2003, agreement with the Securities and Exchange Commission concerning production of confidential and privileged documents.

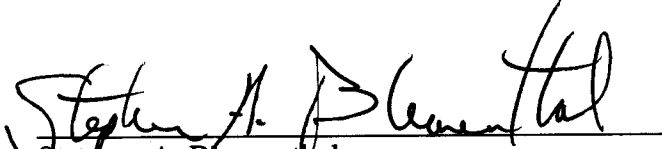
General

17. This Consent Order and incorporated Stipulation and Consent may be used, without objection by Freddie Mac, in any proceeding brought by OFHEO to enforce this Order.
18. For purposes of this Order, the term "Final Order" means an order issued by the Director of OFHEO that is not stayed by court order and that is not subject to further judicial review or revision.

This Order constitutes the Final Decision and Order with respect to OFHEO Notice of Charges No. 2003-1, and shall become effective on the date it is issued, as shown in the caption hereof. The incorporated Stipulation and the Order shall remain in effect until

terminated, modified or suspended in writing by the Director of OFHEO, or an authorized representative thereof.

It is so ordered, this 9th day of September 2005.


Stephen A. Blumenthal
Acting Director
Office of Federal Housing Enterprise Oversight

ATTACHMENT A

**United States of America
Office of Federal Housing Enterprise Oversight**

In the Matter of
THE FEDERAL HOME LOAN MORTGAGE CORPORATION
OFHEO No. 2003-1

September 9, 2005

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Director of the Office of Federal Housing Enterprise Oversight (“OFHEO”) has issued against the Federal Home Loan Mortgage Corporation (“Freddie Mac” or the “Enterprise”) a notice of charges in this matter (OFHEO no. 2003-1) pursuant to 12 U.S.C. § 4631 *et seq.* and 12 C.F.R. § 1780 *et seq.*

The Enterprise, in the interest of cooperation and in the interest of resolving the matters that are the subject of OFHEO notice of charges no. 2003-1 without incurring the expense and distraction of further litigation with OFHEO, consents to the issuance of a Consent Order, dated September 9, 2005 (“Order”), before any evidentiary proceedings have been conducted in this matter and before the entry of any findings of fact or conclusions of law in this matter.

In consideration of the above premises, the Director and the Enterprise, through its duly authorized representative, hereby stipulate and agree to the following:

ARTICLE I

Jurisdiction

(1) The Enterprise is a corporation chartered pursuant to the Federal Home Loan Mortgage Corporation Act of 1970, 12 U.S.C. §§ 1451 to 1459, and subject to supervision and regulation by OFHEO pursuant to the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, 12 U.S.C. § 4501 *et seq.*

ARTICLE II

Agreement

(2) Based solely on this Stipulation and Consent, the Enterprise consents and agrees to the issuance of the Order by the Director. In so doing, the Enterprise neither admits nor denies any wrongdoing or any asserted or implied finding of fact or conclusion of law or any other asserted or implied basis for the Order. The Enterprise further consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by OFHEO under the provisions of 12 U.S.C. §§ 4635 and 4636.

ARTICLE III

Waivers

- (3) The Enterprise, by signing this Stipulation and Consent, hereby waives:
- (a) any and all procedural rights available against OFHEO in connection with the issuance of the Order;
 - (b) all rights to seek any type of administrative or judicial review of the Order; and
 - (c) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

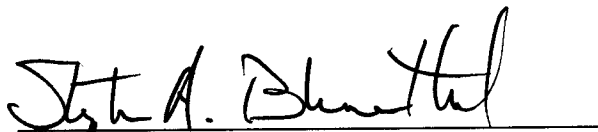
Other Action

(4) The Enterprise agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Director from taking any other action affecting the Enterprise with respect to matters not related to the matters that are the subject of OFHEO notice of charges no. 2003-1 if, at any time, the Director deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

(5) The Enterprise agrees that the provisions of this Stipulation and Consent shall not be construed to limit or otherwise affect regulatory actions by other federal regulatory agencies.

(6) The Director agrees that, upon issuance of the Order, he will dismiss OFHEO notice of charges no. 2003-1.

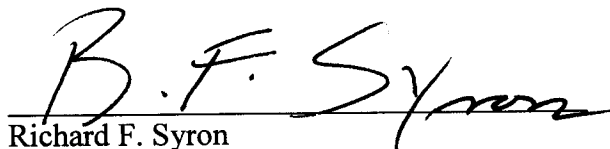
IN TESTIMONY WHEREOF, the undersigned, the Director of OFHEO, has hereunto set his hand on behalf of himself and OFHEO.



Stephen A. Blumenthal
Acting Director
Office of Federal Housing Enterprise Oversight

DATED: September 9, 2005

IN TESTIMONY WHEREOF, the undersigned, as the duly authorized representative of the Enterprise, has hereunto set his hand on behalf of the Enterprise.



Richard F. Syron
Chairman and Chief Executive Officer
Federal Home Loan Mortgage Corporation

DATED: September 9, 2005



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

PRODUCTION AGREEMENT

September 9, 2005

Richard F. Syron
Chairman and Chief Executive Officer
Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, VA 22102-3107

Dear Mr. Syron:

To facilitate the production of documents by Freddie Mac to OFHEO in connection with ongoing administrative actions No. 2003-2 and 2003-3, OFHEO and Freddie Mac agree as follows:

In producing to OFHEO CDs containing documents from the civil securities litigation pending against Freddie Mac, all documents produced by Freddie Mac shall be provided to OFHEO in the same format in which the CDs were produced to the Lead Plaintiffs in that litigation. Additionally, Freddie Mac shall undertake all reasonable efforts to determine which documents it has already produced to OFHEO in order to minimize any possible duplication of document production to OFHEO.

Freddie Mac has agreed to produce to OFHEO certain other documents, which are set out at the end of this letter. Freddie Mac has also undertaken to consider possible additional requests from OFHEO to produce documents or conduct searches for additional documents under certain circumstances. If Freddie Mac receives such requests from OFHEO, those requests may result in additional documents being produced to OFHEO. Freddie Mac intends to produce all additional

documents pursuant to this letter in the same format as has been used for prior productions of documents to the Lead Plaintiffs in the civil securities litigation.

To the extent that OFHEO, based on consultation with other relevant Federal authorities, advises Freddie Mac that it is consistent with all applicable laws and regulations to do so, Freddie Mac shall pay a vendor (or vendors) hired by OFHEO (a) to convert the documents to be produced to OFHEO, as described above, to any different format that may be required by OFHEO (if necessary), and also (b) to electronically code those documents with document fields chosen by OFHEO; provided that, in no event shall Freddie Mac be required to pay for such conversion and coding a total amount that exceeds \$1 million.

In the event that Freddie Mac notifies OFHEO that Freddie Mac objects to any additional OFHEO request for documents (*e.g.*, on grounds that it is unreasonable or overbroad), which Freddie Mac must do within 20 days of a request or forfeit its right to do so, then OFHEO shall be able to seek the documents pursuant to 12 C.F.R. § 1780.28 by filing a third party subpoena for the documents in OFHEO administrative actions No. 2003-2 or No. 2003-3, and Freddie Mac may oppose the request as provided by that regulation. OFHEO and Freddie Mac will, however, seek in good faith to resolve by mutual agreement any disputes regarding additional OFHEO requests for documents in order to avoid, to the extent possible, the need to seek any such third party subpoenas.

As noted above, Freddie Mac agrees to produce additional documents to OFHEO as follows, to the extent that the requested documents exist and have not previously been produced to OFHEO:

1. A privilege log of documents withheld or redacted on the basis of privilege from Freddie Mac's prior productions to OFHEO.
2. All documents (including redacted documents) produced by Freddie Mac to the plaintiffs in *Ohio Public Employees Retirement System and State Teachers Retirement System of Ohio, et al., v. Freddie Mac, et al.*, MDL 1584 (S.D.N.Y.), to the extent not previously produced to OFHEO, and any privilege logs that have been produced with those documents.
3. Freddie Mac's Corporate Management Reporting Policy (assuming such a policy exists) as well as any other policies and procedures relating to the so-called "dry-run process," if any, from January 1999 to August 8, 2003.
4. Memoranda generated between January 1, 2002 and August 8, 2003 that specifically address the creation of the Control and Operating Risk Division.
5. All "flash reports" from January 1999 through August 8, 2003, to the extent not previously produced.
6. All Visible High Impact Unique memoranda relating to the transactions specified in the Attachment A to OFHEO's February 9, 2005 letter.
7. The "earnings management binder(s)" previously mentioned to OFHEO, if any exist.
8. The March 2002 PMVS Contingency Plan Procedure.
9. To the extent not previously produced, all correspondence with the SEC from January 1999 to December 17, 2003 relating to the reaudit/restatement, loan loss reserve, the termination or resignation of corporate officers on June 6, 2003, and registration with the SEC under Section 12(g).
10. Freddie Mac's policies relating to bonuses and the method of calculation of bonuses in effect from January 1999 through August 8, 2003.

11. To the extent that the Company has such documents, CVs for accounting professionals employed in Corporate Accounting between January 1999 and June 2003, as well as other documents relating to accounting credentials contained in the personnel files of such employees, and any job descriptions that exist for such employees.

12. To the extent not previously produced, Freddie Mac's bylaws; Freddie Mac's corporate governance guidelines; Freddie Mac's employee code of conduct; Freddie Mac's Board code of conduct; Freddie Mac's Audit Committee complaint procedures; and charters for the various Freddie Mac Board Committees (e.g. Audit, Compensation and Governance Committees) from January 1999 through December 2003, if any.

13. Documents generated after January 1, 1999 from the offices of current and former employees to be specified by OFHEO, as preserved in the summer of 2003, relating to the subjects discussed in the OFHEO SEU Report and the Baker Botts Reports, including, but not limited to, the following transactions and events, including documents relating to the public financial disclosure and the process of internal disclosure within Freddie Mac of those transactions or events: coupon trade-up giant, linked swaps, swaptions portfolio valuation, J-deals, the SFAS 133 transition and Emerging Issues Task Force (EITF) 9920. In addition, any documents from the office of Beth Price, to the extent that documents have been maintained, relating to the same transactions and events and which have not previously been produced.

14. The index provided to counsel for plaintiffs in *OPERS et al. v. Federal Home Loan Mortgage Corporation et al.* detailing the categories of electronic files relating to re-audit work.

15. Draft and final versions of reports, presentations, summaries, minutes, or other memoranda presented to the Board or any of its Committees from January 1999 to August 8,

2003 discussing the transactions or issues identified in Attachment A to OFHEO's February 9, 2005 letter, to the extent that such documents exist and have not previously been produced.

16. The binders of any employees in Corporate Accounting or Funding & Investment entitled "earnings management" binders, if any, from between January 1999 and August 8, 2003.

17. To the extent not previously produced, any internal audit reports relating to financial reporting or accounting controls from June 6, 2003 to August 8, 2003.

18. To the extent not previously produced, documents relating to the method of calculation for executive bonuses and materials relevant to the bonus determinations for Vaughn Clarke and Leland Brendsel from 1999 to 2003.

19. To the extent not previously produced, all documents from January 1999 to June 2003 relating to comments filed by Freddie Mac with the Financial Accounting Standards Board ("FASB") commenting on proposed Statement of Financial Accounting Standards No. 133 from the offices of Eric Reiser or any Corporate Accounting personnel specifically tasked with filing FASB commentary during the relevant time period.

20. Documents relating to the decision to replace Arthur Andersen as independent auditor with PricewaterhouseCoopers.

21. Any McKinsey & Company reports on the implementation of FAS 133.

22. To the extent not previously produced, any internal reports on the adequacy of the Corporate Accounting function prepared between January 1, 1999 and August 8, 2003 from the offices of the Corporate Accounting department or the offices of senior executives with responsibility for oversight of that department.

23. All documents relating to any discussions, consideration, analysis or other contemplation at Freddie Mac regarding the possibility of seeking restitution from Leland

Brendsel and/or Vaughn Clarke, or of reducing, freezing or restricting in any way the compensation of Leland Brendsel or Vaughn Clarke, including, but not limited to, any Board or Committee minutes, notes from Board or Committee meetings or notes of presentations pertaining to any Board or Committee meetings from June 2003 to December 17, 2003.

24. All deposition transcripts, responses to interrogatories or requests for admission, or expert reports for testifying experts produced in *OPERS et al. v. Federal Home Loan Mortgage Corporation et al.*, consistent with all applicable court orders. In the event that OFHEO seeks access to additional materials in the *OPERS* proceeding by application to the Court, Freddie Mac agrees not to oppose that application provided that the materials remain subject to the protective order entered in the administrative enforcement action(s).

25. Reports and supporting documentation provided by Mercer Oliver Wyman, and any other consultants engaged by the Audit Committee and/or the Board of Directors ("Board"), related to matters raised in connection with the re-audit and/or restatement of earnings from August 8, 2003 to December 17, 2003.

26. All documents in the Company's possession relating to McKinsey & Company's consulting work for Freddie Mac relating to "MRO Accountabilities & Staffing v. Best Practices."

27. Notes taken by the designated note takers for Board and Board committee meetings from August 8, 2003 through December 17, 2003.

28. To the extent not previously produced, any draft and final internal audit reports relating to financial reporting or accounting controls from January 1997 to December 17, 2003.

29. To the extent that such documents are in the Company's possession, all documents — including, but not limited to, any correspondence with insurance carriers — evidencing any

claims by or on behalf of Leland Brendsel or Vaughn Clarke made against any insurance policies in effect for Freddie Mac between January 1, 1999 and December 2003, including, but not limited to, director and officer and other liability policies, including any umbrella policies.

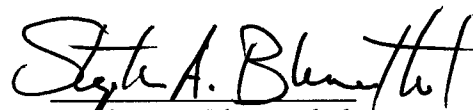
30. Documents sufficient to identify the amount of any indemnification that has been or may be provided to Leland Brendsel and/or Vaughn Clarke covering the period of January 1, 1999 to the present.

In addition, OFHEO and Freddie Mac will each withdraw all of its pending motions in administrative action No. 2003-1 upon issuance of Consent Order No. 2005-1, dated September 9, 2005.

This letter constitutes the agreement between OFHEO and Freddie Mac contemplated by paragraphs 11 and 14 of Consent Order No. 2005-1 dated September 9, 2005.

The undertakings by Freddie Mac set forth above shall be enforceable to the same extent as a written agreement under subtitle C of the Federal Housing Enterprises Financial Safety and Soundness Act.

Sincerely,



Stephen A. Blumenthal,
Acting Director
OFHEO

Agreed to:



Richard F. Syron
Chairman and Chief Executive Officer
Federal Home Loan Mortgage Corporation