



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

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## **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.

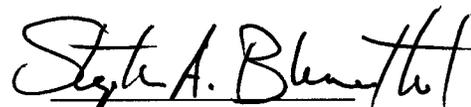
30. Documents sufficient to identify the amount of any indemnification that has been or may be provided to Leland Brendsel and/or Vaughn Clarke covering the period of January 1, 1999 to the present.

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