

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE COMMISSION,  
Plaintiff,

v.

FEDERAL HOME LOAN MORTGAGE CORPORATION,  
DAVID W. GLENN,  
VAUGHN A. CLARKE,  
ROBERT C. DEAN, and  
NAZIR G. DOSSANI,  
Defendants.

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: Civil Action No.  
: 07-CV-1728-RCL  
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**DISTRIBUTION PLAN NOTICE OF FREDDIE MAC FAIR FUND**

**If you purchased Federal Home Loan Mortgage Corporation (“Freddie Mac” or the “Company”) common stock at any time between April 18, 2000 and June 8, 2003, inclusive (“Eligible Trading Period”), and suffered a Recognized Loss per the Plan of Allocation, you may be entitled to receive a monetary Distribution Payment from the Freddie Mac Fair Fund.**

On December 28, 2016, Chief Judge Royce C. Lamberth, United States District Judge for the District of Columbia issued an Order approving the Distribution Plan in the matter of SEC v. Federal Home Loan Mortgage Corporation, David W. Glenn, Vaughn A. Clarke, Robert C. Dean and Nazir G. Dossani (“Defendants”).

The Distribution Plan provides that the disgorged profits, prejudgment interest and civil penalties paid to the Clerk of the Court and placed into an interest-bearing account with the Court Registry Investment System (“CRIS”), approximately \$50.75 million (“Freddie Mac Fair Fund”), shall be distributed for the benefit of injured investors who purchased Freddie Mac common stock and suffered a Recognized Loss pursuant to the Plan of Allocation.

Participation in the distribution of the Freddie Mac Fair Fund will not result in the release of any rights or potential claims a claimant may have against any party (other than with respect to the Distribution Agent), including, but not limited to, any party’s past and present directors, officers, promoters, advisers, agents, affiliates, nominees, assigns, creditors, or controlled entities.

**BACKGROUND OF THE CASE**

Between 1998 and 2002, Freddie Mac, a company chartered by Congress for the purpose of providing a stable market for residential mortgage financing in the United States, engaged in fraudulent conduct that deceived investors about its true financial performance, profitability, and growth trends, and in 2000, 2001 and 2002 the Company misreported its net income in each of those years by 30.5%, 23.9% and 42.9%, respectively. Freddie Mac’s senior management exerted consistent pressure to have the Company report smooth and dependable earnings growth and to present investors with the image of a company that would continue to generate predictable and growing earnings. The Company’s violations were the direct result of this corporate culture that placed great emphasis on steady earnings, and a senior management that fostered a corporate image that was touted as “Steady Freddie” to the marketplace. The Company presented itself to investors as a company that consistently achieved high quality earnings growth when, in fact, the Company’s earnings were volatile and deeply impacted by changes in certain accounting rules.

The Company’s misconduct took varied forms. First, the Company engaged in a series of transactions having principally an accounting purpose that were designed to minimize or eliminate the true impact of changes in Generally Accepted Accounting Principles (“GAAP”) – specifically SFAS 133, which introduced additional earnings volatility – and that allowed the Company to falsely portray stable earnings growth and reduced income statement volatility. Second, the Company engaged in transactions that shifted income from the current periods into future periods, thereby enabling the Company to show a smooth growth pattern in earnings, and that assisted it in meeting future projections. The Company’s public statements failed to adequately inform investors of the impact of changes in the accounting regulations and thereby concealed the significance of these transactions from investors.

On September 27, 2007, the Securities and Exchange Commission (the “Commission” or “SEC”) filed a complaint claiming violations of the Securities Exchange Act of 1934 (“Exchange Act”) and the Securities Act of 1933 (“Securities Act”) by Defendant Freddie Mac, who directly or indirectly, by use of the means and instrumentalities of interstate commerce, the mails or the facilities of a national securities exchange, in connection with the purchase or sale of securities, had with knowledge or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operate or would operate as a fraud or deceit upon any person. The Commission further claimed violations of the Securities Act by Defendants Glenn, Clarke, Dean and Dossani for negligently, in the offer or sale of securities, by the use of the means or instruments of transportation and communication in interstate commerce or by use of the mails, directly or indirectly (a) obtaining money by means of an untrue statement of a material fact or an omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not

misleading; or (b) engaging in transactions, practices or courses of business which operated as a fraud or deceit upon the purchasers of such securities.

In the Final Judgments, the Defendants consented to permanent injunctions and paid disgorgement, pre-judgment interest and civil penalties to the Clerk of the Court. On September 17, 2013, the Court created a Fair Fund consisting of the funds in the Court registry accounts.

### **PLAN OF ALLOCATION**

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Distribution Plan.

For each share of Freddie Mac common stock purchased between April 18, 2000 and January 21, 2003, inclusive, and:

- a) Sold prior to January 22, 2003, the Recognized Loss per share shall be \$0.00.
- b) Sold between January 22, 2003 and June 8, 2003, inclusive, the Recognized Loss per share shall be \$1.70.
- c) Held at the close of trading on June 8, 2003, the Recognized Loss per share shall be \$10.53.

For each share of Freddie Mac common stock purchased between January 22, 2003 and June 8, 2003, inclusive, and:

- a) Sold prior to June 9, 2003, the Recognized Loss per share shall be \$0.00.
- b) Held at the close of trading on June 8, 2003, the Recognized Loss per share shall be \$8.84.

A Potentially Eligible Claimant will be eligible to receive a Distribution Payment from the Net Available Fund only if the Potentially Eligible Claimant had a net market loss. A market loss will be calculated as the difference between the purchase price per share and the sale price per share. If shares were retained at the close of trading on June 8, 2003, they will be assigned a sale value of \$50.26 per share for the purposes of market loss calculation. All market gains and market losses will be combined and thereafter netted against each other. In calculating the net market loss, the market loss (or gain) for all transactions in the Freddie Mac common stock within the Eligible Trading Period will be totaled. If a Potentially Eligible Claimant has an overall net market gain, or a net market loss equal to zero, the Potentially Eligible Claimant will not be eligible to receive a Distribution Payment from the Net Available Fund.

For Potentially Eligible Claimants who made multiple purchases, transfers, acquisitions, or sales during the Eligible Trading Period, the first-in, first-out ("FIFO") method will be applied to such holdings, purchases, acquisitions, transfers, and sales for purposes of calculating a claim. Under the FIFO method, shares sold during the Eligible Trading Period will be matched, in chronological order, against shares purchased during the Eligible Trading Period. Trades outside of this period will not be matched. See page 17 of the Distribution Plan for examples of FIFO matching.

The date of purchase or sale is the "contract" or "trade date" as distinguished from the "settlement date." The receipt of Eligible Securities during the Eligible Trading Period by gift, inheritance, devise, transfer, operation of law or other non-cash based acquisition transactions shall not be deemed to be a purchase of Eligible Securities during the Eligible Trading Period, nor shall it be deemed an assignment of any claim relating to the purchase of such securities unless specifically so provided in the instrument of transfer, gift or assignment. However, the recipient of the Eligible Securities as a transfer, gift, inheritance, devise or operation of law shall be eligible to file a Proof of Claim Form and participate in the distribution of the Freddie Mac Fair Fund, to the extent the particular donor or decedent, as the actual purchaser of Eligible Securities, would have been eligible based upon the original purchase of such Eligible Securities within the Eligible Trading Period. Such a claim will be computed by using the date and price of the original purchase and not the date and price of the transfer. However, the donee and the donor may not both make a claim with regard to the same Eligible Securities. If both the donor and the donee make such a claim, only the claim filed by the donee will be honored. Transfers out of an account will be treated as a sale, in which the sale price will be the closing price of the Eligible Security for that day.

Eligible Securities obtained through a merger or the exercising of options are considered to have been obtained through a purchase for purposes of this computation. For shares obtained through a merger, the purchase date is considered to be the actual date of the merger and/or acquisition and the price is the value per share assigned in the merger and/or acquisition. The purchase/sale date of Eligible Securities acquired through the exercising of an option is considered to be the exercise date of the option and the purchase/sale price of the stock is the exercise price of the option.

Distribution Payments will be made to Eligible Claimants after all claims have been processed and after approval has been received from the Courts and/or the Commission. No Distribution Payments will be made to Eligible Claimants whose *pro rata* portion of the Net Available Fund is less than \$20.00.

The previous provides only summary information regarding the action. We strongly recommend that you read the Distribution Plan, including the Plan of Allocation, and other relevant case documents in their entirety for more complete details. The documents can be found at [www.FreddieMacFairFund.com](http://www.FreddieMacFairFund.com). You may obtain more information by visiting the case website maintained by the Commission at <https://www.sec.gov/divisions/enforce/claims.htm>, by calling the dedicated toll-free number at (877) 401-1797 or by sending an email inquiry to [info@FreddieMacFairFund.com](mailto:info@FreddieMacFairFund.com)

If you believe you are a Potentially Eligible Claimant and would like to participate, follow the instructions found on page 3 to complete the Proof of Claim Form included in this packet. Fill out the Proof of Claim Form completely, sign it, include copies of all required supporting documentation, and return in the enclosed envelope.

## **PROOF OF CLAIM FORM INSTRUCTIONS**

To be eligible to receive payment, you must complete and, on page 4 hereof, sign the Proof of Claim Form. If you fail to submit a properly addressed Proof of Claim Form as set forth below, your claim may be rejected and you may be precluded from any recovery from the Fair Fund.

Submission of this Proof of Claim Form, however, does not assure that you will share in the distribution of the Fair Fund. All final decisions regarding eligibility are made by the Court and/or the Commission.

**YOU MUST MAIL YOUR COMPLETED AND SIGNED PROOF OF CLAIM FORM NO LATER THAN JULY 10, 2017 (THE "FILING DEADLINE"), ADDRESSED AS FOLLOWS, TO BE INCLUDED IN ANY DISTRIBUTION FROM THE FAIR FUND:**

Freddie Mac Fair Fund  
c/o Gilardi & Co. LLC  
Distribution Agent  
P.O. Box 43452  
Providence, RI 02940-3452

If you are NOT a Potentially Eligible Claimant (as defined in the Distribution Plan), DO NOT submit a Proof of Claim Form.

Please keep a copy of your completed Proof of Claim Form submission and supporting documentation for your records.

Confirmations of receipt of Proof of Claim Form submissions may not be available until after the Filing Deadline, therefore, if you require acknowledgment, please send your Proof of Claim Form submission Certified Mail, Return Receipt. Submissions sent via email will not be considered properly submitted and will not be accepted.

### **CLAIMANT IDENTIFICATION**

If you purchased or acquired shares of Federal Home Loan Mortgage Corporation ("Freddie Mac") common stock at any time between April 18, 2000 and June 8, 2003, inclusive, and held the certificate(s) in your name, you are the beneficial owner as well as the owner of record. If, however, you purchased or acquired Freddie Mac common stock that was registered in the name of a third party, such as a nominee or brokerage firm, you are the beneficial owner and the third party is the owner of record.

Use Part I of the Proof of Claim Form, entitled "Claimant Identification," to identify each beneficial owner and each owner of record ("nominee"), if such nominee is different from the beneficial owner. If there is more than one beneficial owner, all owners must be identified and must sign the claim. **THE PROOF OF CLAIM FORM MUST BE FILED BY THE ACTUAL BENEFICIAL OWNER(S) OR THE LEGAL REPRESENTATIVE OF SUCH OWNER(S) OF THE FREDDIE MAC COMMON STOCK UPON WHICH THIS CLAIM IS BASED.**

All joint owners must complete and sign this claim. If you are acting in a representative capacity on behalf of a Potentially Eligible Claimant (for example, as an executor, administrator, trustee, or other representative), you must complete and sign this claim on behalf of persons represented by them, include evidence of your current authority to act on their behalf and your titles or capacities must be stated. Such evidence would include, for example, letters testamentary, letters of administration, or a copy of the trust documents.

The Social Security (or Taxpayer Identification) Number and telephone number of the beneficial owner is required and may be used in verifying the claim. Failure to provide the foregoing information could delay verification of your claim or result in rejection of the claim.

Claims on behalf of a retirement plan covered by Section 3(3) of ERISA, 29 U.S.C. § 1002(3), which do not include Individual Retirement Accounts, and such plan's participants, are properly made by the custodian or fiduciary of the plan and not by the plan's participants.

**NOTICE REGARDING ELECTRONIC FILES:** Certain claimants with large numbers of transactions (50+) may request to, or may be requested to, submit information regarding their transactions in electronic files. All claimants **MUST** submit a manually signed paper Proof of Claim Form listing all their transactions, whether or not they also submit electronic copies. If you wish to file your claim electronically, you must contact the Distribution Agent at [institutions@gilardi.com](mailto:institutions@gilardi.com) to obtain the required file layout. No electronic files will be considered to have been properly submitted unless the Distribution Agent issues to the claimant a written acknowledgement of receipt and acceptance of electronically submitted data.

### **TRANSACTION IDENTIFICATION**

Use Part II, entitled "Schedule of Transactions in Freddie Mac Common Stock", to supply all required information regarding your transactions of Freddie Mac common stock at any time between April 18, 2000 and June 8, 2003, inclusive. The Distribution Agent will need to collect all transaction information to help determine if you have an eligible claim. If you require additional space to list your transactions, please make photocopies of the schedule on page 2, print or type your name on each additional copy, fill the bubble at the bottom of the schedule and attach the additional sheets.

On the schedules, provide all of the requested information with respect to **all** of your purchases and sales between April 18, 2000 and June 8, 2003, inclusive, regardless of whether such transactions resulted in a gain or a loss. Failure to report all such transactions may result in the rejection of your claim.

For transactions, you must accurately enter the trade date, number of shares you purchased and/or sold, and the total price you paid and proceeds you received, if any (excluding fees and commissions). The date of the purchase or the sale is the "contract" or "trade" date, not the "settlement" date. Transactions must have occurred between April 18, 2000 and June 8, 2003, inclusive. List each transaction separately and in chronological order by trade date, beginning with the earliest.

Copies of broker confirmations or other documentation of your transactions in Freddie Mac must be included with your claim submission. Do not send originals as they will not be returned. Failure to provide this documentation could delay verification and processing of your claim or result in rejection of your claim.

The Proof of Claim Form is designed to provide the minimum amount of information necessary to process simple claims. The Distribution Agent may request additional information as required to efficiently and reliably calculate your losses. In some cases where the Distribution Agent cannot perform the calculation accurately at a reasonable cost with the information provided, the Distribution Agent may condition acceptance of the claim upon the production of additional information and/or the hiring of an accounting expert at the Potentially Eligible Claimant's cost.

Distributions from the Freddie Mac Fair Fund are subject to a Distribution De Minimis Amount of \$20.00. The Distribution De Minimis Amount shall mean the specified dollar amount that an approved claim must equal or exceed, after pro-rated payment awards are calculated.

Submission of this Proof of Claim Form does not assure that you will share in the proceeds of the Freddie Mac Fair Fund. The amount you may receive will be determined in accordance with the Plan of Allocation as incorporated in the Distribution Plan. A final determination as to whether you will receive a Distribution Payment, and the amount, is made by the Court-appointed Distribution Agent.

### **SPECIAL NOTICE TO BANKS, BROKERS AND NOMINEES**

If you purchased Freddie Mac common stock during the Eligible Trading Period for the beneficial interest of a person or organization other than yourself, then, WITHIN THIRTY (30) DAYS OF YOUR RECEIPT OF THIS NOTICE, you must either: (a) provide to the Distribution Agent the name and last known address of each person or organization for whom or which you purchased or acquired such securities during such time period, or (b) request additional copies of this Notice and the Proof of Claim Form, which will be provided to you free of charge, and within THIRTY (30) days mail the Notice and Proof of Claim Form directly to the beneficial purchaser of the securities referred to herein. If you choose to follow alternative procedure (b), upon such mailing, you must send a statement to the Distribution Agent confirming that the mailing was made as directed. You are entitled to reimbursement of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial purchasers. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Distribution Agent at:

Freddie Mac Fair Fund  
c/o Gilardi & Co. LLC  
Distribution Agent  
P.O. Box 43452  
Providence, RI 02940-3452

Dated: March 10, 2017