

# Freddie Mac

## Class A

### Multifamily Variable Rate Certificates



#### The Certificates

Freddie Mac creates each series of Multifamily Variable Rate Certificates (“**Certificates**”) and issues and guarantees Class A Certificates (“**Class A Certificates**”) that represent undivided ownership interests with specified rights in pools of tax exempt multifamily affordable housing bonds. The multifamily affordable housing bonds are issued by certain state and local government entities to finance multifamily affordable housing mortgages.

#### Freddie Mac’s Guarantee

We guarantee certain payments of interest and principal with respect to the Class A Certificates, including the Required Class A Certificate Interest Distribution Amount, the scheduled principal due with respect to the Bonds for the benefit of the Class A Certificates and the principal and interest due with respect to any applicable Bonds on a Release Event Date, each as described in this Offering Circular. We alone are responsible for making payment on our guarantee and for paying for Class A Certificates tendered to us for purchase. **Principal and interest payments on, and payment of the tender price for, the Class A Certificates are not guaranteed by, and are not debts or obligations of, the United States or any federal agency or instrumentality other than Freddie Mac.**

#### Freddie Mac Will Provide More Information for Each Offering

This Offering Circular describes the general characteristics of the Class A Certificates. For each offering, we prepare an offering circular supplement. The supplement will describe more specifically the particular Class A Certificates included in that offering.

#### Tax Status and Securities Law Exemptions

We expect interest from the Class A Certificates to be excludable from gross income for federal income tax purposes for most holders. The supplement will more specifically describe the tax status of the Class A Certificates included in that offering. Because of applicable securities law exemptions, we have not registered the Class A Certificates with any federal or state securities commission. No securities commission has reviewed this Offering Circular.

**The Class A Certificates may not be suitable investments for you. You should not purchase the Class A Certificates unless you have carefully considered the risks of investing in them. The *Risk Factors* section beginning on page 11 highlights some of these risks.**

If you intend to purchase Class A Certificates, you should rely on the information in this Offering Circular, in the disclosure documents that we incorporate by reference in this Offering Circular as stated under *Additional Information* and in the related offering circular supplement (“**Supplement**”). We have not authorized anyone to provide you with different information.

This Offering Circular, the related Supplement and any incorporated documents may not be correct after their dates.

We are not offering the Class A Certificates in any jurisdiction that prohibits their offer.

Notwithstanding anything to the contrary herein or in the applicable Supplement, each prospective investor (and its representatives, agents and employees) may disclose to any person, without limitation of any kind, the federal income tax treatment and federal income tax structure of the transactions contemplated hereby, and all materials (including opinions and other tax analyses) that are provided relating to such treatment or structure, except to the extent that nondisclosure is reasonably necessary in order to comply with applicable securities laws.

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*Exhibit I* to the related Supplement defines capitalized terms used in this Offering Circular, the related Supplement and the Agreement.

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## FREDDIE MAC

### General

Freddie Mac was chartered by Congress in 1970 under the Federal Home Loan Mortgage Corporation Act (the “**Freddie Mac Act**”) with a public mission to stabilize the nation’s residential mortgage markets and expand opportunities for homeownership and affordable rental housing.

Our statutory mission is to provide liquidity, stability and affordability to the U.S. housing market. We fulfill our mission by purchasing residential mortgages and mortgage-related securities in the secondary mortgage market and securitizing them into mortgage-related securities that can be sold to investors. Our participation in the secondary mortgage market includes providing our credit guarantee for residential mortgages originated by mortgage lenders and investing in mortgage loans and mortgage-related securities. Through our credit guarantee activities, we securitize mortgage loans by issuing PCs to third-party investors. We also resecuritize mortgage-related securities that are issued by us or Ginnie Mae as well as private, or non-agency, entities by issuing structured securities to third-party investors. We guarantee multifamily mortgage loans that support housing revenue bonds issued by third parties and we guarantee other mortgage loans held by third parties.

Although we are chartered by Congress, we alone are responsible for making payments on our securities. Neither the U.S. government nor any agency or instrumentality of the U.S. government, other than Freddie Mac, guarantees our securities and other obligations.

Our statutory mission, as defined in our charter, is:

- To provide stability in the secondary market for residential mortgages;
- To respond appropriately to the private capital market;
- To provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages for low- and moderate-income families, involving a reasonable economic return that may be less than the return earned on other activities); and
- To promote access to mortgage credit throughout the U.S. (including central cities, rural areas and other underserved areas).

### Conservatorship

We continue to operate under the conservatorship that commenced on September 6, 2008, conducting our business under the direction of the Federal Housing Finance Agency (“**FHFA**”), our conservator (the “**Conservator**”). FHFA was established under the Federal Housing Finance Regulatory Reform Act of 2008 (the “**Reform Act**”). Prior to the enactment of the Reform Act, the Office of Federal Housing Enterprise Oversight and the U.S. Department of Housing and Urban Development (“**HUD**”) had general regulatory authority over Freddie Mac, including authority over our affordable housing goals and new programs. Under the Reform Act, FHFA now has general regulatory authority over us, though HUD still has authority over Freddie Mac with respect to fair lending.

Upon its appointment, FHFA, as Conservator, immediately succeeded to all rights, titles, powers and privileges of Freddie Mac and of any stockholder, officer or director of Freddie Mac with respect to us and our assets, and succeeded to the title to all books, records and assets of Freddie Mac held by any other legal custodian or third party. During the conservatorship, the Conservator has delegated certain authority to our Board of Directors to oversee, and to management to conduct, day-to-day operations so that

Freddie Mac can continue to operate in the ordinary course of business. There is significant uncertainty as to whether or when we will emerge from conservatorship, as it has no specified termination date, and as to what changes may occur to our business structure during or following our conservatorship, including whether we will continue to exist. While we are not aware of any current plans of our Conservator to significantly change our business structure in the near term, Treasury and HUD, in consultation with other government agencies, are expected to develop legislative recommendations on government-sponsored enterprises Freddie Mac, Fannie Mae and the Federal Home Loan Banks.

To address deficits in our net worth, FHFA, as Conservator, entered into a senior preferred stock purchase agreement (as amended, the **“Purchase Agreement”**) with the U.S. Department of the Treasury (**“Treasury”**), and (in exchange for an initial commitment fee of senior preferred stock and warrants to purchase common stock) Treasury made a commitment to provide funding, under certain conditions. We are dependent upon the continued support of Treasury and FHFA in order to continue operating our business. Our ability to access funds from Treasury under the Purchase Agreement is critical to keeping us solvent and avoiding appointment of a receiver by FHFA under statutory mandatory receivership provisions.

Under the Purchase Agreement between Treasury and us, Holders of Certificates are given certain limited rights against Treasury under the following circumstances: (i) we default on our guarantee payments, (ii) Treasury fails to perform its obligations under its funding commitment, and (iii) we and/or the Conservator are not diligently pursuing remedies in respect of that failure. In that case, the Holders of an affected Class of Certificates may file a claim in the U.S. Court of Federal Claims for relief requiring Treasury to fund to us up to the lesser of (1) the amount necessary to cure the payment default and (2) the lesser of (a) the amount by which our total liabilities exceed our total assets, as reflected on our balance sheet prepared in accordance with generally accepted accounting principles, and (b) the maximum amount of Treasury’s funding commitment under the Purchase Agreement less the aggregate amount of funding previously provided under this commitment. The enforceability of such rights has been confirmed by the Office of Legal Counsel of the U.S. Department of Justice in an opinion dated September 26, 2008.

## ADDITIONAL INFORMATION

Our common stock is registered with the Securities and Exchange Commission (the **“SEC”**) under the Securities Exchange Act of 1934 (**“Exchange Act”**). As a result, we file annual, quarterly and current reports, proxy statements and other information with the SEC.

As described below, we incorporate certain documents by reference in this Offering Circular, which means that we are disclosing information to you by referring you to those documents rather than by providing you with separate copies. We incorporate by reference in this Offering Circular:

- Our most recent Annual Report on Form 10-K, filed with the SEC.
- All other reports we have filed with the SEC pursuant to Section 13(a) of the Exchange Act since the end of the year covered by that Form 10-K, excluding any information “furnished” to the SEC on Form 8-K.
- All documents that we file with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act after the date of this Offering Circular and prior to the termination of the offering of the related Certificates, excluding any information we “furnish” to the SEC on Form 8-K.

These documents are collectively referred to as the “**Incorporated Documents**” and are considered part of this Offering Circular. You should read this Offering Circular and the related Supplement in conjunction with the Incorporated Documents. Information that we incorporate by reference will automatically update information in this Offering Circular. Therefore, you should rely only on the most current information provided or incorporated by reference in this Offering Circular and the related Supplement.

You may read and copy any document we file with the SEC at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding companies that file electronically with the SEC.

You can obtain, without charge, copies of this Offering Circular, the Incorporated Documents and the related Supplement under which Certificates are issued from:

<p><b>Freddie Mac — Investor Inquiry</b> <b>1551 Park Run Drive, Mailstop D50</b> <b>McLean, Virginia 22102-3110</b> <b>Telephone: 1-800-336-3672</b> <b>(571-382-4000 within the Washington, D.C. area)</b> <b>E-mail: <a href="mailto:Investor_Inquiry@freddiemac.com">Investor_Inquiry@freddiemac.com</a></b></p>
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We also make these documents available on our internet website at this address:

**[www.freddiemac.com](http://www.freddiemac.com)\***

This Offering Circular relates to Certificates issued on and after June 1, 2010. For information about Certificates issued before that date, see the related Offering Circular (available on our internet website) that was in effect at the time of issuance of those Certificates.

\* We are providing this and other internet addresses solely for the information of investors. We do not intend these internet addresses to be active links and we are not using references to these addresses to incorporate additional information into this Offering Circular or any Supplement, except as specifically stated in this Offering Circular.

## SUMMARY

**This summary highlights selected information about the Class A Certificates. Before buying Class A Certificates, you should read the remainder of this Offering Circular, the Supplement for the particular offering and the Incorporated Documents. You should rely on the information in the Supplement if it is different from the information in this Offering Circular.**

Capitalized Terms that are not in **bold type** and defined on their first use are defined in the Supplement or an exhibit to the Supplement. References to time in this Offering Circular relate to local time in Washington D.C.

**Guarantor** . . . . . Federal Home Loan Mortgage Corporation, or “**Freddie Mac**,” a shareholder-owned government-sponsored enterprise, guarantees the timely payment of interest and scheduled principal on the Class A Certificates on each Payment Date and guarantees timely principal payments on the Bonds for the benefit of the Class A Certificates. **Principal and interest payments on the Certificates are not guaranteed by, and are not debts or obligations of, the United States or any federal agency or instrumentality other than Freddie Mac.**

On September 6, 2008, the Director of FHFA placed Freddie Mac into conservatorship pursuant to authority granted by the Reform Act. As the Conservator, FHFA immediately succeeded to all rights, titles, powers and privileges of Freddie Mac, and of any stockholder, officer or director of Freddie Mac, with respect to Freddie Mac and the assets of Freddie Mac. For additional information regarding the conservatorship, see *Freddie Mac — Conservatorship* and *Risk Factors — Governance Factors*.

In the event the Conservator were to repudiate our guarantee obligation, the ability of Holders of Class A Certificates to enforce the guarantee obligation would be limited to actual direct compensatory damages. The rights of Holders to bring proceedings against Treasury are limited if we fail to pay under our guarantee. See *Freddie Mac — Conservatorship*. The Conservator has advised us that it has no intention of repudiating the guarantee obligation because it views repudiation as incompatible with the goals of the conservatorship.

**Liquidity Provider** . . . . . We will be obligated to pay the applicable tender price for Class A Certificates on each Purchase Date, Mandatory Tender Date and Optional Disposition Date. This obligation is described in the Agreement as the Liquidity Facility.

**Certificates** . . . . . Certificates represent undivided ownership interests with specified rights in pools of assets that we form. Certificates are issued in series (“**Series**”), each consisting of “**Class A Certificates**” and “**Class B Certificates**.” Class A Certificates will be offered pursuant this Offering Circular and the related Supplement.

Class B Certificates will be issued simultaneously with Class A Certificates but will not be offered pursuant to this Offering Circular.

**Assets** ..... As specified in the related Supplement, the assets of each Series will include multifamily affordable housing bonds or interests therein (which may be evidenced by custodial receipts, trust receipts or any similar instrument representing beneficial ownership interests in such bonds) (together, “**Bonds**”) that we have acquired. The Bonds are issued by state and local government entities and are secured by first liens on multifamily affordable housing properties and certain other assets pledged by these government entities.

**Payments** ..... We make payments on the Class A Certificates on each Payment Date. A “**Payment Date**” is the 15th of each month, or if the 15th is not a Business Day, the next Business Day, beginning the month after issuance.

• **Interest** ..... We pay interest on the Class A Certificates at the applicable per annum interest rate (“**Reset Rate**”) in effect on each day during the period that interest accrues for that Payment Date. The Reset Rate will change from time to time. Changes to the Reset Rate can occur either:

- each week.
- each month.
- on other dates as specified in the Supplement.

The Supplement will specify how frequently the Reset Rate will change. The method for determining the Reset Rate can be changed at our option (under certain circumstances) or the option of the Sponsor (with our consent). Should that happen, the Class A Certificates will be subject to mandatory tender, however you will have the right to retain your Class A Certificates (the “**Retention Right**”).

Interest for each Payment Date will accrue for the calendar month preceding that Payment Date or, for the first Payment Date, from the date specified in the Supplement.

The Supplement will identify the Remarketing Agent for each Series. The Remarketing Agent will determine the Reset Rate each time it is changed. The Remarketing Agent will set the Reset Rate equal to the lesser of:

- the minimum interest rate which would, in the judgment of the Remarketing Agent, result in a sale of the Class A

Certificates at par under prevailing market conditions, plus accrued interest.

- the Maximum Reset Rate calculated as described in the Supplement or an exhibit to the Supplement.

The Remarketing Agent is also responsible for remarketing Class A Certificates that are tendered to us.

- **Principal** . . . . . On each Payment Date, we pay scheduled principal on the Class A Certificates plus principal prepayments and your portion of Redemption Premium, if any, until the outstanding balance of the Class A Certificates is reduced to zero. The definition of “**Gain Share**” in the Supplement or an exhibit to the Supplement describes how we calculate your portion of any Redemption Premium.

The Holders of any Class that receives principal payments (and their share of any Redemption Premium) receive those payments either on a pro rata or random lot basis as described in the Supplement.

- Optional Tender** . . . . . Holders of Class A Certificates (except Pledged Class A Certificates and Affected Certificates) will have the right to tender their certificates for purchase upon five Business Days’ written notice (the “**Tender Option**”) at the “**Purchase Price**” equal to the remaining principal of such Class A Certificate plus any accrued and unpaid interest through the day prior to the Purchase Date.

The Purchase Date related to an exercise of the Tender Option may occur on:

- any Business Day, when the Reset Rate can change each week.
- the first Business Day of every calendar month, when the Reset Rate can change each month.

Freddie Mac is obligated to pay the applicable Purchase Price.

The Tender Option is not available during a period when the Reset Rate is set other than each week or each month.

The Tender Option may terminate without notice as described in *The Certificates — Tender Option — Tender Option Termination Events*.

- Mandatory Tender** . . . . . We have a “**Mandatory Tender Right**” to purchase all or a portion of outstanding Class A Certificates at the Purchase Price upon the occurrence of certain events.



We must purchase Class A Certificates pursuant to the Mandatory Tender Right if:

- the frequency of changes to the Reset Rate is changed or, if the Reset Rate is set other than weekly or monthly, that period expires (however, you will have the Retention Right).
- an amendment to certain provisions of the Agreement occurs (however, you will have the Retention Right).
- a Sponsor Act of Bankruptcy occurs (if Partnership Factors apply).
- a successor Sponsor is designated by the Sponsor (with our consent) (however, you will have the Retention Right).

We may purchase Class A Certificates pursuant to the Mandatory Tender Right if:

- we determine that a Liquidity Provider Termination Event has occurred.
- the outstanding balance of the Class A Certificates is equal to or less than 5% of the original principal balance.

Pledged Class A Certificates or Affected Certificates will not be subject to the Mandatory Tender Right.

**Release** .....

We have the right to redeem Class A Certificates and pay you the outstanding balance of the Class A Certificates plus accrued interest thereon, plus any Hypothetical Gain Share, if any of the following events (each a “**Release Event**”) occurs:

- interest on a related Bond is determined to be includable in the recipient’s gross income for federal income tax purposes.
- an event of default pursuant to the related Bond Documents.
- a breach of representations made by the Sponsor with respect to a Series of Bonds or related projects pursuant to and in accordance with the Reimbursement Agreement.
- a property related to a Bond fails to achieve stabilization (as further described in *The Certificates — Assets*) when required by the terms of the Reimbursement Agreement.
- a material adverse credit condition exists with respect to a Bond or under the related Bond Documents or Bond Mortgage Documents or the Reimbursement Agreement.
- the Sponsor elects to purchase Bonds with respect to which an event of default exists in connection with a substitution of Bonds.
- the Series is terminated in whole or in part.

The amount of Class A Certificates redeemed upon a Bond Release Event will be equal to the then outstanding principal amount of the affected Bond(s) rounded to the nearest multiple of \$5,000.

**Optional Disposition** . . . . . Holders of Class A Certificates who have held Class A Certificates for at least one year will have the right to tender any of those Class A Certificates for purchase (“**Optional Disposition**”) at the “**Optional Disposition Price**” equal to the remaining principal of such Class A Certificates plus any accrued and unpaid interest plus any Hypothetical Gain Share on any Optional Disposition Date.

The “**First Optional Disposition Date**” will be specified in the Supplement.

The definition of “**Hypothetical Gain Share**” in the Supplement or an exhibit to the Supplement describes how Hypothetical Gain Share will be calculated.

**Holders**. . . . . As an investor in Class A Certificates, you are not necessarily the Holder of those Certificates. You ordinarily must hold your Class A Certificates through one or more financial intermediaries. You may exercise your rights as an investor only through the Holder of your Class A Certificates, and we may treat the Holder as the absolute owner of your certificates. For Class A Certificates, the term “**Holder**” usually means DTC or its nominee.

**Tax Status** . . . . . If you own Class A Certificates, you will be treated for federal income tax purposes as a partner in a partnership that owns the related Bonds. For most investors, we expect income on the underlying Bonds to be excludable from gross income for federal income tax purposes.

## RISK FACTORS

Although we guarantee certain payments on the Class A Certificates and on the Bonds for the benefit of the Class A Certificates and so bear the associated credit risk and are obligated to pay the Purchase Price of Class A Certificates and so bear the associated liquidity risk, as an investor you will bear the other risks of owning mortgage securities. This section highlights some of these risks. Investors should carefully consider the risks described below and elsewhere in this Offering Circular, the related Supplement and the Incorporated Documents before deciding to purchase Class A Certificates. However, neither this Offering Circular nor those other documents describe all the possible risks of an investment in the Class A Certificates that may result from your particular circumstances, nor do they project how the Class A Certificates will perform under all possible interest rate and economic scenarios.

### PREPAYMENT AND YIELD FACTORS:

**Principal payment rates are uncertain.** Principal payment rates on Class A Certificates will depend on the rates of principal payments on the underlying Bonds. Principal payment rates on the underlying Bonds will depend upon principal payments from the related multifamily affordable housing properties. Bond principal payments include scheduled payments and prepayments. Prepayment rates fluctuate continuously and (in some market conditions) substantially. We cannot predict the rate of prepayments on the Bonds, which is influenced by a variety of economic, social and other factors, including local and regional economic conditions, the existence and enforceability of lockout periods and prepayment premiums and the availability of alternative financing. Prepayments are also affected by servicing decisions and policies, such as decisions to pursue alternatives to foreclosure. In addition, prepayments may occur upon a Bond Release Event or a Liquidity Provider Termination Event.

**Prepayments can reduce your yield if you purchase your Class A Certificates at a premium.** Your yield on a Class A Certificate will depend on the price you pay for your Class A Certificate, the rate of prepayments on the mortgage underlying the related Bonds and the other characteristics of those Bonds. The Bonds may be optionally redeemed at any time, subject to any applicable lockout period and to the payment of any applicable redemption premiums. The Bonds with lockout periods may be optionally redeemed at any time outside of the lockout period. The Bonds also may be redeemed due to defaults, casualties, condemnations and repurchases.

**Reinvestment of principal payments may produce lower returns.** Exercise of the Tender Option will result in a return of the entire outstanding principal portion of the Class A Certificates that you tendered. Additionally, the Bonds tend to prepay fastest when current interest rates are low. When you receive principal payments in a low interest rate environment, you may not be able to reinvest them in comparable securities with as high a return as your Class A Certificates.

**Changes to the Reset Rate may produce lower yields.** The Reset Rate may change periodically and a future Reset Rate may be lower than your original Reset Rate.

**The Maximum Reset Rate may limit the Reset Rate payable on the Class A Certificates.** If the Maximum Reset Rate is less than the prevailing interest rate for similar securities, the Remarketing Agent may be unable to remarket the Class A Certificates.

### INVESTMENT FACTORS:

**The Class A Certificates may not be suitable investments for you.** The Class A Certificates are complex securities. You, alone or together with your financial advisor, need to understand the risks of

your investment. You need to be able to analyze the information in the related offering documents and the Incorporated Documents, as well as the economic, interest rate and other factors that may affect your investment. You also need to understand the terms of the Certificates and any investment restrictions that may apply to you. Because each investor has different investment needs and different risk tolerances, you should consult your own financial, legal, accounting and tax advisors to determine if the Certificates are suitable investments for you. If you require a definite payment stream, or a single payment on a specific date, the Class A Certificates are not suitable investments for you. If you purchase Class A Certificates, you need to have enough financial resources to bear all of the risks related to your Class A Certificates.

**You may not be allowed to buy Class A Certificates.** If you are subject to investment laws and regulations or to review by regulatory authorities, you may not be allowed to invest in Class A Certificates. If you purchase Class A Certificates in violation of such laws or regulations, you may be compelled to divest such Class A Certificates. See *Legal Investment Considerations*.

**The Remarketing Agent may have interests that conflict with the Class A Certificates.** The Remarketing Agent may purchase Class A Certificates for its own account. The Remarketing Agent may have other relationships with or could also be an affiliate of the Holder of the Class B Certificates. If so, the Remarketing Agent's interests in the Class B Certificates could differ from the interests of the beneficial owners of Class A Certificates because a low Reset Rate on the Class A Certificates will leave more interest available to be paid to the Holders of Class B Certificates.

**Your Tender Option may become unavailable.** If the Tender Option is terminated due to a Tender Option Termination Event or a Liquidity Failure, you will not be able to tender your Class A Certificates to Freddie Mac for the Purchase Price. Instead, if a Tender Option Termination Event or a Liquidity Failure occurs, the Series will be liquidated in whole or in part. Without the Tender Option, your ability to sell your Class A Certificates may be limited and the liquidation of the Series may cause you to receive less than the Purchase Price for your Class A Certificates. Moreover, the Class A Certificates may no longer qualify as an eligible investment for certain investors.

**Interest on the Class A Certificates may be taxable if interest on the Bonds is determined to be taxable.** All or a portion of the interest received on Class A Certificates could be deemed to be taxable if interest on the Bonds is determined to be taxable. A determination that interest on the bonds is taxable could occur after distributions are paid on the Class A Certificates. A final determination that interest on the Bonds is taxable would trigger a Tender Option Termination Event and would result in the liquidation of all or part of a Series.

**Credit enhancement is limited.** No form of credit enhancement will be directly available to you as a Holder of Class A Certificates other than (a) the subordination of the Class B Certificates (not offered hereby) to the Class A Certificates of a Series and (b) the Freddie Mac guarantee, as described in this Offering Circular and the related Supplement. The Sponsor may be required to set aside cash reserves to be applied toward the stabilization (including reparation and rehabilitation) of the underlying properties or to contribute other assets, including funds, accounts, letters of credit or interest rate hedges. Because any such additional collateral secures only Freddie Mac, upon any termination and required liquidation of the Series Pool, the Holders of the Class A Certificates would not be entitled to any such collateral and any Bonds distributed upon any such liquidation may be of uncertain value or marketability.

#### **GOVERNANCE FACTORS:**

**The Conservator may repudiate our contracts, including our guarantee.** As Conservator, FHFA may disaffirm or repudiate contracts (subject to certain limitations for qualified financial

contracts) that we entered into prior to its appointment as Conservator if it determines, in its sole discretion, that performance of the contract is burdensome and that disaffirmation or repudiation of the contract promotes the orderly administration of our affairs. The Reform Act requires FHFA to exercise its right to disaffirm or repudiate most contracts within a reasonable period of time after its appointment as Conservator.

The Conservator has advised us that it has no intention of repudiating any guarantee obligation relating to Freddie Mac's mortgage-related securities, including the Class A Certificates, because it views repudiation as incompatible with the goals of the conservatorship. In addition, the Reform Act provides that mortgage loans and mortgage-related assets that have been transferred to a Freddie Mac securitization trust must be held for the beneficial owners of the related Freddie Mac mortgage-related securities, including the Class A Certificates, and cannot be used to satisfy our general creditors.

If our guarantee obligations were repudiated, payments of principal and/or interest to Holders would be paid solely from payments on the Bonds and other assets. Any actual direct compensatory damages owed due to the repudiation of our guarantee obligations may not be sufficient to offset any shortfalls experienced by Holders.

The Conservator also has the right to transfer or sell any asset or liability of Freddie Mac, including our guarantee obligation, without any approval, assignment or consent. If the Conservator were to transfer our guarantee obligation to another party, Holders would have to rely on that party for satisfaction of the guarantee obligation and would be exposed to the credit risk of that party.

**FHFA could terminate the conservatorship by placing us into receivership, which could adversely affect our guarantee, and restrict or eliminate certain rights of Holders.** Under the Reform Act, FHFA must place us into receivership if the Director of FHFA makes a determination in writing that our assets are, and for a period of 60 days have been, less than our obligations. FHFA has notified us that the measurement period for any mandatory receivership determination with respect to our assets and obligations would commence no earlier than the SEC public filing deadline for our quarterly or annual financial statements and would continue for 60 calendar days after that date. FHFA has also advised us that, if, during that 60-day period, we receive funds from Treasury in an amount at least equal to the deficiency amount under the Purchase Agreement, the Director of FHFA will not make a mandatory receivership determination.

In addition, we could be put into receivership at the discretion of the Director of FHFA at any time for other reasons, including conditions that FHFA has already asserted existed at the time the then Director of FHFA placed us into conservatorship. These include: a substantial dissipation of assets or earnings due to unsafe or unsound practices; the existence of an unsafe or unsound condition to transact business; an inability to meet our obligations in the ordinary course of business; a weakening of our condition due to unsafe or unsound practices or conditions; critical undercapitalization; the likelihood of losses that will deplete substantially all of our capital; or by consent. A receivership would terminate the current conservatorship.

If FHFA were to become our receiver, it could exercise certain powers that could adversely affect Holders. As receiver, FHFA could repudiate any contract entered into by us prior to its appointment as receiver if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of our affairs. The Reform Act requires that any exercise by FHFA of its right to repudiate any contract occur within a reasonable period following its appointment as receiver.

If FHFA, as receiver, were to repudiate our guarantee obligations, the receivership estate would be liable for actual direct compensatory damages as of the date of receivership under the Reform Act. Any such liability could be satisfied only to the extent our assets were available for that purpose. Moreover, if our guarantee obligations were repudiated, payments of principal and/or interest to Holders would be paid solely from payments on the Bonds and other assets. Any actual direct compensatory damages owed due to the repudiation of our guarantee obligations may not be sufficient to offset any shortfalls experienced by Holders.

In its capacity as receiver, FHFA would have the right to transfer or sell any asset or liability of Freddie Mac, including our guarantee obligation, without any approval, assignment or consent of any party. If FHFA, as receiver, were to transfer our guarantee obligation to another party, Holders would have to rely on that party for satisfaction of the guarantee obligation and would be exposed to the credit risk of that party.

During a receivership, certain rights of Holders of Class A Certificates may not be enforceable against FHFA, or enforcement of such rights may be delayed.

The Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which Freddie Mac is a party, or obtain possession of or exercise control over any property of Freddie Mac, or affect any contractual rights of Freddie Mac, without the approval of FHFA as receiver, for a period of 90 days following the appointment of FHFA as receiver.

If we are placed into receivership and do not or cannot fulfill our guarantee obligation to Holders of Class A Certificates, Holders could become unsecured creditors of Freddie Mac with respect to claims made under our guarantee.

## **THE CERTIFICATES**

We create and administer each Series of Certificates. We sell and guarantee certain payments of principal and interest on Class A Certificates. Class A Certificates are offered pursuant to this Offering Circular and the related Supplement. Class B Certificates are issued simultaneously with Class A Certificates, but will not be offered pursuant to this Offering Circular.

## **ASSETS**

Each Certificate represents an undivided ownership interest with specified rights in the Bonds contained in its related Series.

The Bonds are issued by state and local government entities to finance affordable multifamily housing mortgages. The Bonds are secured by a pledge by the issuer of first liens on the related multifamily residential properties and certain other assets, including funds and accounts held by the Bond trustee, and in some instances, other collateral including letters of credit and interest rate hedges.

The general terms of the specific Bonds for each Series of Certificates will be described in the applicable Supplement.

Funds from Bonds may be used to construct, acquire and rehabilitate or refinance affordable multifamily housing properties. For properties that are being constructed or rehabilitated, the financing documents contain certain conditions regarding, among other things, the timing of completion of the

project and leasing of the units. Once a property satisfies these conditions it is said to achieve “stabilization.” Examples of these conditions include:

- (i) the construction has been completed in accordance with the plans and specifications and any amendments thereto consented to by the Bondholder Representative and applicable building codes;
- (ii) a certificate of occupancy has been issued for each building that is located on the property;
- (iii) the property shall have obtained physical occupancy (net of concessions) of not less than a percentage specified in the related Bond Documents for 90 consecutive days;
- (iv) the debt coverage ratio of the applicable property and Mortgage is equal to or greater than a percentage specified in the related Bond Documents;
- (v) the loan-to-value ratio of the Mortgage is equal to or less than a set percentage specified in the related Bond Documents; and
- (vi) any additional conditions have been satisfied.

If a property does not achieve stabilization by a set date, the property may not be eligible for permanent financing and the related Bonds may be subject to mandatory redemption or tender. There is no certainty that construction will be completed or that all of the conditions to conversion will be satisfied in time for a property to achieve stabilization.

Even if a property achieves stabilization within the specified time frame, the Bond Documents related to that property may provide for a reduction of the principal amount of the Bonds related to that property to an amount that is less than the original principal amount of the related Bond. If the principal amount of the Bonds related to a property is reduced upon stabilization, the principal amount of the related Bonds will be reduced through a partial prepayment of such Bonds. This prepayment would be funded by the property owner. If such prepayment is required as a condition to stabilization and is not made, conversion to permanent financing will not occur and the related Bonds may be subject to mandatory redemption or tender in whole, as described above.

In addition, Freddie Mac may have more stringent or additional conditions beyond those set forth in the Bond Documents to be met for it to treat a property related to the Bonds as stabilized. If such conditions are not met, the failure of a property to stabilize may constitute a Bond Release Event under the applicable Series Certificate Agreement permitting the Bonds to be released from the Series following the payment of the Bond Release Purchase Price. This would result in a prepayment of the Class A Certificates.

The stabilization date may be extended under the terms of the related Bond Documents. You will not receive notice of an extension of the stabilization date.

Each underlying Mortgage is a fixed or floating rate, interest only, fully amortizing or balloon mortgage with an original term of 10 to 40 years. The Mortgages usually either prohibit prepayment or provide for prepayment at a premium for some period, after which the Mortgage may be prepaid at par.

Principal payments on the Bonds are made on a monthly or semi-annual basis on an amortization schedule that usually does not exceed 40 years, with a maturity from 10 to 40 years following the beginning of amortization. Principal and interest payments are typically made on the Mortgages by the related borrowers on a monthly basis.

The applicable Bond Trustee will pay principal and interest on each Bond, and deduct and pay fees due with respect to that Bond. If the borrower fails to pay the mortgage underlying a Bond, the servicer will notify the applicable Bond Trustee and Bondholder Representative. The Bondholder Representative will instruct the applicable Bond Trustee as to remedies. Freddie Mac will be the Bondholder Representative for the Bonds in each Series.

## **PAYMENTS**

### **Payment Dates**

We make payment to Holders of Class A Certificates on each applicable Payment Date. A **“Payment Date”** is the 15th of each month or, if the 15th is not a Business Day, the next Business Day.

For this purpose, a **“Business Day”** means a day other than:

- A Saturday or a Sunday.
- A day when the offices of the federal government in the District of Columbia generally are closed.
- A day when the Federal Reserve Bank of New York is closed.
- A day when Freddie Mac is closed.
- A day when DTC is closed.
- A day when banks in New York or the city(ies) in which the Administrator, Freddie Mac or Remarketing Agent is located are closed.
- A day when the New York Stock Exchange is closed.

### **Class Factors**

For each month, we calculate and make available (including on our internet website) the Class Factor for Class A Certificates of each Series.

The **“Class Factor”** for any Class A Certificates for any month is a truncated eight-digit decimal that, when multiplied by the original principal amount of the Class A Certificates of that Series, will equal its remaining principal amount. The Class Factor for any month reflects payments of principal to be made on the Payment Date in the same month.

Class Factors will be available not later than the second Business Day prior to the Payment Date for that month.

The Class Factor for each Class A Certificate for the month of its issuance is 1.00000000.

### **Distribution Account**

As Administrator, we establish a Distribution Account for each Series. For each Payment Date, we deposit into the Distribution Account each of the following amounts related to that Payment Date:

- all Bond Payments received, including Bond Redemption Premiums.
- all amounts paid in connection with a Release Event.



- all amounts Freddie Mac pays under its Credit Enhancement.
- all Administrator Advances by Freddie Mac.

The Distribution Account will relate solely to the Certificates of the related Series, and funds in the Distribution Account will not be commingled with any other funds.

### **Interest Distributions**

For each Payment Date other than the first Payment Date, holders of Class A Certificates will be paid interest equal to the aggregate of the interest accrued each day in the calendar month preceding each Payment Date (the “**Accrual Period**”) at the Reset Rate in effect for such Certificate on each such day. For the first Payment Date, the Accrual Period will run from the date specified in the Supplement to the last day of the month preceding the first Payment Date.

The Bonds are expected to generate more interest than is necessary to provide for interest at a rate that will enable the Remarketing Agent to remarket all Class A Certificates at par, but no assurance can be given that this will be the case.

### **Principal Distributions**

Principal will be paid on each Payment Date. For any Payment Date, the total amount of principal payments available for distribution will equal the sum of:

- The amount of principal payments scheduled or made on the underlying Bonds during the collection period for that Payment Date (“**Available Principal**”). The collection period for each Payment Date will be the period from the second Business Day of the prior calendar month through the first Business Day of the month of that Payment Date.
- The Redemption Premium, if any, payable to Holders, determined in accordance with the Gain Share calculation described in the Supplement or an exhibit to the Supplement. Freddie Mac does not guarantee the payment of any Redemption Premium.
- Class A Certificates share of the Hypothetical Gain Share, if any, in connection with a payment arising from a Release Event. Hypothetical Gain Share is calculated as described in the Supplement or an exhibit to the Supplement. Freddie Mac does not guarantee the payment of any Hypothetical Gain Share.

On each Payment Date, other than a Payment Date related to a Release Event, we pay Available Principal to the Holders of the Class A Certificates entitled to receive principal payments on that Payment Date pro rata as follows:

- To Freddie Mac as the secured lien holder of Pledged Class A Certificates, until the balance of any Pledged Class A Certificates is reduced to zero.
- To the other Holders of Class A Certificates, until retired.

Payments of principal to Holders of Class A Certificates other than Freddie Mac as the secured lien holder of Pledged Class A Certificates will be paid in multiples of \$5,000 under random lot procedures. Under such random lot procedures, on each Payment Date when principal is payable on Class A Certificates, the amount payable on that Class is rounded to a multiple of \$5,000. On the first such Payment Date, the Registrar withdraws from the Odd-Lot Subaccount any funds needed to round the principal payment upward to the next multiple of \$5,000 and pays the rounded amount on the Class A

Certificates. On the next such Payment Date, the Registrar applies the principal payable on the Class A Certificates first to repay any amount withdrawn from the Odd-Lot Subaccount on the previous Payment Date. The Registrar then rounds the remainder of the principal payment upward to the next multiple of \$5,000, by making another withdrawal from the Odd-Lot Subaccount, and pays this amount on the Class A Certificates. This process continues on each following Payment Date until the Class A Certificates have been retired.

DTC will determine which Holders will be paid by using its established random lot procedures. Each DTC Participant receiving principal payments, and each financial intermediary in the chain to the beneficial owners, will remit payments to their customers according to their own procedures, which may or may not be by random lot. A DTC Participant or financial intermediary could decide to allot Class A principal payments to certain customers (which could include the DTC Participant or intermediary) without allotting payments to others. You may ask your brokers or other intermediaries or the Remarketing Agent what allocation procedures they use.

The Supplement for each Series will describe the specific allocation of principal payments for that Series.

On each Payment Date, we also pay the Redemption Premium (if any) and Hypothetical Gain Share (if any) related to a Release Event to the Class A Certificates, until retired.

On any Payment Date related to a Bond Release Event, we pay the portion of Available Principal related to the released Bond as described under *The Certificates — Release Event*.

### **Reports to Holders**

Each month, not later than the second Business Day prior to the Payment Date for that month, we will make available on our internet website the following information:

- the related Payment Date;
- the Class Factor for that Payment Date;
- the weighted average of the Reset Rate applicable to that Payment Date; and
- if all of the Certificates are to be redeemed in full on a Payment Date, the notice described under *The Agreement — Final Distribution*.

### **Record Dates**

We make payments on each Payment Date to Holders as of the close of business on the last day of the preceding month (the “**Record Date**”).

### **Final Payment Dates**

The “**Final Payment Date**” for each Class is the latest date by which it will be paid in full and will retire. We calculate Final Payment Dates using conservative assumptions. The actual retirement of Class A Certificates of any Series could occur significantly earlier than its Final Payment Date.

## **RESET RATES**

### **The Remarketing Agent**

The Remarketing Agent sets the Reset Rate and determines the Maximum Reset Rate for the Class A Certificates by 5:00 p.m. on the related Reset Date. The Remarketing Agent is also responsible for remarketing Class A Certificates that are tendered to us. The Supplement will identify the Remarketing Agent for that Series.

#### *The Remarketing Agent Is Paid by the Sponsor*

The Remarketing Agent is appointed by Freddie Mac and the Sponsor and is paid by the Sponsor for its services. As a result, the interests of the Remarketing Agent may differ from those of the beneficial owners of the Class A Certificates.

#### *The Remarketing Agent May Purchase Class A Certificates for Its Own Account*

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and may, in its sole discretion, purchase such obligations for its own account, including the Class A Certificates. In its sole discretion, the Remarketing Agent may acquire tendered Class A Certificates in order to achieve a successful remarketing of the Class A Certificates (for example, because there otherwise are not enough buyers to purchase the Class A Certificates) or for other reasons. *The Remarketing Agent is not obligated to purchase Class A Certificates, however, and may cease doing so at any time without notice.* The Remarketing Agent may also sell any Class A Certificates it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Class A Certificates. The purchase of Class A Certificates by the Remarketing Agent may create the appearance that there is greater third party demand for the Class A Certificates in the market than is actually the case. The practices described above also may result in fewer Class A Certificates being tendered in a remarketing.

#### *Class A Certificates May be Offered at Different Prices on Any Date, Including a Reset Date*

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the rate of interest that, in its judgment, is the minimum rate which would, under then existing market conditions, result in the sale of the Class A Certificates on the applicable Reset Date at a price equal to the principal amount thereof plus accrued interest, if any. The interest rate will reflect, among other factors, the level of market demand for the Class A Certificates (including whether the Remarketing Agent is willing to purchase Class A Certificates for its own account). There may or may not be Class A Certificates tendered and remarketed on a Reset Date, and it is possible that the Remarketing Agent may not be able to remarket any Class A Certificates tendered for purchase on such date at par. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Class A Certificates at the remarketing price. In the event the Remarketing Agent owns any Class A Certificates for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Class A Certificates on any date, including the Reset Date, at a discount or premium to par.

#### *The Ability to Sell the Class A Certificates Other Than Through the Tender Process May be Limited*

The Remarketing Agent may buy and sell Class A Certificates other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice. The Remarketing Agent may require beneficial owners that wish to tender their Class A Certificates to do so only through the Remarketing Agent with appropriate notice, as provided in the Series Certificate Agreement. Thus,

investors which purchase the Class A Certificates, whether in a remarketing or otherwise, should not assume that they will be able to sell their Class A Certificates other than by tendering the Class A Certificates in accordance with the tender process set forth in the Series Certificate Agreement.

*Under Certain Circumstances, the Remarketing Agent May be Removed, Resign or Cease Remarketing the Class A Certificates, Without a Successor Being Named*

Under certain circumstances, the Remarketing Agent may be removed or resign or cease its remarketing efforts without a successor having been named, subject to the terms of the Remarketing Agreement.

**Determination of the Reset Rate**

The Reset Rate will change from time to time. The Reset Rate for any period will be the minimum rate of interest which would, in the judgment of the Remarketing Agent, under then prevailing market conditions (taking into account that such rate will be reset on the next Reset Date), result in a sale of the Class A Certificates at a market price equal to the outstanding balance of the Class A Certificates, plus accrued interest. The Reset Rate cannot exceed the Maximum Reset Rate calculated as described in the Supplement or an exhibit to the Supplement.

The Remarketing Agent will calculate the Maximum Reset Rate on each Reset Date immediately prior to determining the Reset Rate.

If the Remarketing Agent fails to set a Reset Rate by 5:00 p.m. on the Reset Date, the Reset Rate for the next period will be the lesser of the previous Reset Rate or the Maximum Reset Rate.

Upon setting the Reset Rate, the Remarketing Agent notifies Freddie Mac of the Reset Rate, the Maximum Reset Rate and the date on which the Reset Rate will take effect. After the Remarketing Agent sets the Reset Rate and gives notice to Freddie Mac, the determination of the Reset Rate, absent manifest error, will be binding, subject to the Maximum Reset Rate. You may obtain the Reset Rate for each period from the Remarketing Agent as described in the Supplement or from our internet website.

**Reset Rate Method**

The frequency of making changes to the Reset Rate is called the “**Reset Rate Method.**” The following table shows the date by which the Reset Rate will be determined (each a “**Reset Date**”) and the period during which the Reset Rate applies for each Reset Rate Method.

<u>Reset Rate Method</u>	<u>Reset Date(1)</u>	<u>Related Accrual Period(2)</u>
<b>Weekly Reset Rate Method</b>	<ul style="list-style-type: none"> <li>• Wednesday</li> <li>• if Wednesday is not a Business Day, the preceding Business Day</li> </ul>	Thursday through the following Wednesday
<b>Monthly Reset Rate Method</b>	Last Business Day of the preceding month	Calendar Month
<b>Term Reset Rate Method</b>	Last Business Day prior to the beginning of the term	Term specified in notice to holders (or until the Series Expiration Date, if earlier)(3)

(1) However, if the Reset Rate Method is being changed, the Reset Date will be the Business Day preceding the Reset Rate Change Date.  
 (2) However, if the Reset Rate Method is being changed and the Reset Rate Change Date is prior to the end of this period, the Reset Rate will apply through day preceding the next Reset Rate Change Date.  
 (3) Unless otherwise approved by Freddie Mac, this period will not be less than 180 days nor more than one year until the First Optional Disposition Date. After the First Optional Disposition Date, this period will not be less than 180 days nor more than five years.

The Supplement will specify the initial Reset Rate Method applicable to each Series.

If the Monthly Reset Rate Method or Term Reset Rate Method is in effect, the Remarketing Agent will make preliminary indications of the Reset Rate for the next period available by telephone six Business Days prior to the related Reset Date. The Reset Rate will not be less than the preliminary Reset Rate quoted by the Remarketing Agent.

The Reset Rate Method may be changed by:

- direction of the Holders of a majority of the outstanding principal balance of Class B Certificates (with Freddie Mac's approval).
- Freddie Mac, if the interest rate hedge required by the Reimbursement Agreement between Freddie Mac and the Sponsor is not in effect.

If the Reset Rate Method is changed, Holders will be notified by the Remarketing Agent of the change at least eight Business Days prior to the change taking effect. A change of the Reset Rate Method will be a Mandatory Tender Event (however, you will have the Retention Right). See *Description of Certificates — Mandatory Tender*.

If the Reset Rate Method is changed to the Weekly Reset Rate Method or the Monthly Reset Rate Method, the Reset Rate Method will continue to be Weekly or Monthly, as applicable, until changed by Holders of Class B Certificates with Freddie Mac's consent. If the Reset Rate Method is changed to the Term Reset Rate Method, the Reset Rate Method will become Weekly at the conclusion of the specified term, unless the Holders of the Class B Certificates with Freddie Mac's consent elect to continue the Term Reset Rate Method. The expiration of a period in which the Term Reset Rate Method is in effect will be a Mandatory Tender Event, subject to your Retention Right.

The Reset Rate Method may not be changed during the last two Business Days before a Mandatory Tender Date.

## **TENDER OPTION**

### **Rights of Holders to Tender Class A Certificates**

Holders of a Class A Certificate have the Tender Option to tender their Class A Certificates to Freddie Mac on any Purchase Date in exchange for the Purchase Price upon giving proper notice. We are obligated to pay the Purchase Price for each Class A Certificate validly tendered pursuant to the Tender Option.

A **"Purchase Date"** is:

- any Business Day, when the Weekly Reset Rate Method is in effect.
- the first Business Day of every calendar month, when the Monthly Reset Rate is in effect.

The Tender Option is not available:

- when the Term Reset Rate Method is in effect.
- for Affected Certificates after the occurrence of an applicable Tender Option Termination Event.
- for Pledged Class A Certificates.

Holders of Class A Certificates may exercise the Tender Option for Class A Certificates having an original balance of \$5,000 and integral multiples of \$5,000 in excess thereof. Holders may not exercise the Tender Option for other denominations of Class A Certificates.

### **Procedures to Exercise the Tender Option**

In order to exercise the Tender Option, you must instruct the Holder of your Certificates to exercise the Tender Option on your behalf.

To exercise the Tender Option on your behalf, a Holder of Class A Certificates must:

- Give an Exercise Notice to the Remarketing Agent and Freddie Mac. The Exercise Notice must be given by 5:00 p.m., on or prior to the fifth Business Day preceding the Purchase Date. The Exercise Notice should be made by telephone and confirmed by telecopy, facsimile transmission, electronic mail or similar electronic means of communication. The confirmation must be received by the principal office of the Remarketing Agent as specified in the Supplement and Freddie Mac, as Registrar, at 1551 Park Run Drive, MS-D5B, McLean, Virginia 22102-3110 by 5:00 p.m. on the same day. The Exercise Notice must specify:
  - the original balance of the Class A Certificates being tendered.
  - the Authorized Denominations tendered for purchase.
  - the Purchase Date on which you demand purchase.
- Deliver the Class A Certificates to Freddie Mac by book-entry transfer into Freddie Mac's account at DTC by not later than 11:00 a.m. on the Purchase Date.
- Advise Freddie Mac in writing of the single account of the Holder in which payment for Tendered Class A Certificates is to be transferred.

Freddie Mac will pay the Purchase Price of any Tendered Class A Certificates by 3:00 p.m. to the Holders of Tendered Class A Certificates as they appear on the records of the Registrar.

Once it is exercised, the Tender Option may not be revoked. Upon giving telephonic notice of exercise of the Tender Option to Freddie Mac or the Remarketing Agent, or upon delivery of an Exercise Notice to Freddie Mac or the Remarketing Agent, Holders of Class A Certificates will have no further rights or interests in such Class A Certificates other than the right to receive payment of the Purchase Price. No interest will be paid on such Class A Certificates from and after the Purchase Date.

If a Holder of Class A Certificates gives an Exercise Notice and then fails to deliver the Tendered Class A Certificates as described above, the Tendered Class A Certificates will be deemed to have been delivered, and the Holder will have no further rights or interests in such Class A Certificates other than the right to receive payment of the Purchase Price.

Freddie Mac will determine whether the Tender Option has been exercised in compliance with the requirements described in this section. If an attempted exercise of the Tender Option does not comply with these requirements, Freddie Mac will reject such exercise and redeliver such Class A Certificates by using its best efforts to transfer such Certificates "free" on the records of DTC to the applicable Holder.

Freddie Mac will give the Remarketing Agent and DTC a Tender Advice by not later than 5:00 p.m. on the Business Day after it receives an Exercise Notice. The Tender Advice will be delivered by

telecopy, facsimile transmission, electronic mail or similar electronic means of communication and will set forth:

- the Purchase Date and
- the aggregate Authorized Denominations of Class A Certificates tendered for purchase.

### **Tender Option Termination Events**

The Tender Option for a Series will terminate without notice upon the occurrence of any of the following events (each, a “**Tender Option Termination Event**”):

- (a) There shall have occurred (A) a failure to pay when due any installment of principal or premium, if any, or interest with respect to any Bonds and (B) a failure by Freddie Mac to pay on the Credit Enhancement which failure or failures continues for three Business Days.
- (b) Interest on a Bond underlying that Series is determined to be includable in the recipient’s gross income for federal income tax purposes. This determination may be made by the entry of any decree or judgment by a court of competent jurisdiction or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action is deemed final under applicable procedural law.
- (c) The rating of the long-term senior debt of Freddie Mac is reduced below “Baa3” in the case of Moody’s and “BBB–” in the case of Fitch and S&P by each such rating agency rating such debt.

If a Tender Option Termination Event occurs, the Series will be subject to complete or partial liquidation on the related Exchange Date. See *The Agreement — Termination*.

If a Tender Option Termination Event occurs, Freddie Mac will promptly give the Remarketing Agent a Tender Option Termination Notice by telecopy, facsimile transmission, electronic mail or similar electronic means of communication, promptly confirmed by mailing a copy of the Tender Option Termination Notice. The Tender Option Termination Notice will set forth each of the following items:

- A description of the Tender Option Termination Event that has occurred and a description of the Affected Bonds.
- The date when such Tender Option Termination Event occurred.
- A schedule, prepared by Freddie Mac, of the Bonds, if any, that will remain after the complete or partial liquidation of the Series and required distributions have been effected on the related Exchange Date.
- If applicable, a schedule, prepared by Freddie Mac, of the amounts of Class A Certificates and Class B Certificates and of the obligation, if any, of Freddie Mac to purchase tendered Certificates that will remain after the complete or partial liquidation of the Series and required distributions have been effected on the related Exchange Date. No such obligation will exist after a complete liquidation of the Series.

Freddie Mac will give the Holders of Class A Certificates a copy of the Tender Option Termination Notice not later than one Business Day following its delivery to the Remarketing Agent. The failure to give notice of any Tender Option Termination Event to the Holders or the failure of any Holder to receive such notice will not delay or affect in any manner the termination of the right to exercise the Tender Option with respect to any Affected Certificates.

## MANDATORY TENDER

### Mandatory Tender Events

Freddie Mac has the right to purchase Class A Certificates (other than Affected Certificates and Pledged Class A Certificates) if a Mandatory Tender Event occurs. If a Mandatory Tender Event occurs:

- Freddie Mac will give notice (“**Mandatory Tender Notice**”) to the Holders and the Remarketing Agent.
- Freddie Mac will purchase all or a portion of the outstanding Class A Certificates and pay the Purchase Price on the “**Mandatory Tender Date**” specified in the table below. After the Mandatory Tender Date and payment of the Purchase Price you will not have a right to additional payments of principal or interest from your Class A Certificates.

Under some circumstances, you may decline a Mandatory Tender by exercising your Retention Right. If you exercise the Retention Right, your Class A Certificates will not be purchased and you will not receive the Purchase Price. See *The Certificates — Mandatory Tender — Right to Retain*.

The table below specifies the dates of the Mandatory Tender Notice and the Mandatory Tender Date for each related Mandatory Tender Event.

Mandatory Tender Event	Notice Requirements	Mandatory Tender Date
An event of default under the Reimbursement Agreement (a “ <b>Liquidity Provider Termination Event</b> ”) <sup>(1)</sup>	Freddie Mac sends a Liquidity Provider Termination Notice to the Remarketing Agent. Freddie Mac sends Holders a Mandatory Tender Notice by 5:00 p.m. on the second Business Day after the date of the Liquidity Provider Termination Notice.	The Business Day specified by Freddie Mac in the Liquidity Provider Termination Notice (must be between 5 and 10 Business Days after the date of the Mandatory Tender Notice)
<ul style="list-style-type: none"> <li>• A change in the Reset Rate Method from the Weekly Reset Rate Method or Monthly Reset Rate Method to the Monthly Reset Rate Method or the Term Reset Rate Method<sup>(2)</sup> <i>or</i></li> <li>• The beginning of a new term if the Term Reset Rate Method was previously and will continue to be in effect<sup>(2)</sup></li> </ul>	Freddie Mac sends notice to: <ul style="list-style-type: none"> <li>• Remarketing Agent at least nine Business Days prior to the Term Reset Date and not later than one Business Day after it consents to the change in Reset Rate Method</li> <li>• Holders not later than one Business Day after it consents to the change in the Reset Rate Method</li> </ul>	The Term Effective Date specified in the notice to Holders
A change in the Reset Rate Method to the Weekly or Monthly Reset Rate Method <sup>(2)</sup>	Freddie Mac sends notice to: <ul style="list-style-type: none"> <li>• Remarketing Agent not later than two Business Days after it consents to the change in Reset Rate Method</li> <li>• Holders at least eight Business Days prior to the Reset Rate Method Change Date</li> </ul>	The Reset Rate Method Change Date

(1) Events of default under the Reimbursement Agreement typically include the following events:

- Freddie Mac does not receive amounts due under the Reimbursement Agreement.
- The Sponsor fails to perform its obligations under the Reimbursement Agreement or other agreements related to this Series.
- The interest rate on the Bonds converts to a fixed rate without Freddie Mac’s consent.
- The Sponsor fails to deliver a replacement interest rate hedge when required by the Reimbursement Agreement.
- The Sponsor challenges the pledge to Freddie Mac of Class B Certificates.
- The Sponsor breaches certain representations.

(2) Subject to your Retention Right.



Mandatory Tender Event	Notice Requirements	Mandatory Tender Date
Amendments to the Agreement (“ <b>Section 12.01(b) Amendments</b> ”) <sup>(2)</sup> relating to: <ul style="list-style-type: none"> <li>• distributions and payments from the Distribution Account</li> <li>• determination of the Reset Rate</li> <li>• the Tender Option or Tender Option Termination Events</li> <li>• the provisions regarding amendments to those sections</li> </ul>	A Business Day that is at least 20 calendar days prior to the effective date of the amendment	The effective date of the amendment
At Freddie Mac’s option, when the outstanding balance of the Class A Certificates is less than 5% of the balance of the Bonds as of the Closing Date for that Series (a “ <b>Clean-Up Event</b> ”)	Upon occurrence of a Clean-Up Event, Freddie Mac sends a Clean-Up Notice to the Remarketing Agent.  Freddie Mac sends Holders Mandatory Tender Notice by 5:00 p.m. on the second Business Day after the date of the Clean-Up Notice.	The date specified by Freddie Mac in the Mandatory Tender Notice (must be between 5 and 10 Business Days after the date of the Mandatory Tender Notice)
If Partnership Factors apply, the occurrence of certain events of bankruptcy, insolvency or similar proceedings involving the Sponsor (each, a “ <b>Sponsor Act of Bankruptcy</b> ”)	Freddie Mac sends notice to: <ul style="list-style-type: none"> <li>• Remarketing Agent upon obtaining knowledge of the Sponsor Act of Bankruptcy</li> <li>• Holders by no later than one Business Day after sending notice to the Remarketing Agent</li> </ul>	The fifth Business Day after notice is given to Holders
A Successor Sponsor is appointed by the Sponsor (with Freddie Mac’s consent) <sup>(2)</sup>	Sponsor sends notice (and Freddie Mac’s consent) to the Administrator. Freddie Mac sends notice to the Holders.	The date specified in the notice (at least 10 Business Days prior to the date the appointment becomes effective)

(2) Subject to your Retention Right.

Holders of Affected Certificates and Pledged Class A Certificates have no right to tender Affected Certificates or Pledged Class A Certificates for purchase upon the occurrence of a Mandatory Tender Event.

### Notice of Mandatory Tender

If a Mandatory Tender Event occurs, Freddie Mac will provide notice to the Remarketing Agent and the Holders as described in the table above. The Mandatory Tender Notice will include each of the following:

- The Mandatory Tender Date.
- A brief statement specifying the applicable Mandatory Tender Event.
- Directions for surrendering tendered Certificates for payment.
- A statement that the Purchase Price payable to the Holders of Class A Certificates tendered pursuant to the Mandatory Tender will be payable on the Mandatory Tender Date, and that interest payable with respect to such Class A Certificates will cease to accrue from and after such Mandatory Tender Date.

- In connection with a Mandatory Tender Event related to Liquidity Provider Termination Event, a Sponsor Event of Bankruptcy or a Clean-Up Event, a statement that Hypothetical Gain Share, if any, will be paid to the Holders of Class A Certificates based upon a valuation of the Bonds and a statement that Freddie Mac's responsibilities under the Series Certificate Agreement will terminate.
- If applicable, a statement that Holders of Class A Certificates will have the right to elect to retain such Certificates by delivering a Retention Notice to Freddie Mac as described in *The Certificates — Mandatory Tender — Right to Retain*.
- A statement that even if the Holder of Class A Certificates fails to surrender its Class A Certificates on the Mandatory Tender Date, the Tender Option with respect to such Certificates will terminate on the Mandatory Tender Date, and any Class A Certificates not surrendered on the Mandatory Tender Date will, for all purposes of the Series Certificate Agreement, be deemed to have been surrendered unless the Holder has delivered a conforming Retention Notice.
- A statement that, notwithstanding such Mandatory Tender Notice, Holders of affected Class A Certificates will continue to have the right to exercise the Tender Option in accordance with the terms and provisions of the Series Certificate Agreement; *provided, that*, if the Series is terminated as a result of such Mandatory Tender Event, the Tender Option will terminate at the last applicable time and date on which an Exercise Notice may be given by or on behalf of such Holder in accordance with the terms and provisions of the Series Certificate Agreement.

Freddie Mac will give the Remarketing Agent and DTC a Tender Advice by telecopy, facsimile transmission, electronic mail or similar electronic means of communication by not later than 10:00 a.m. on the second Business Day prior to any Mandatory Tender Date. The Tender Advice will include each of the following:

- The applicable Mandatory Tender Date.
- The aggregate outstanding balance of Class A Certificates subject to Mandatory Tender.
- The Authorized Denominations of Class A Certificates with respect to which conforming Retention Notices have been received by Freddie Mac, if applicable.

### **Right to Retain**

You will have the Retention Right to decline a Mandatory Tender in connection with the following Mandatory Tender Events:

- a Term Effective Date (that is not a Reset Rate Method Change Date).
- a change (but not a continuation) in the Reset Rate Method from a Weekly Reset Rate Method or Monthly Reset Rate Method to a Monthly Reset Rate Method or a Term Reset Rate Method.
- a change (but not a continuation) in the Reset Rate Method from a Term Reset Rate Method or a Monthly Reset Rate Method to a Weekly Reset Rate Method or Monthly Reset Rate Method.

- a Section 12.01(b) Amendment.
- a Successor Sponsor is appointed by the Sponsor.

To exercise a Retention Right, a Holder must deliver a Notice (a “**Retention Notice**”) to the Administrator by 12:00 noon on the third Business Day before the related Mandatory Tender Date. The Retention Notice must state the following information:

- The applicable Mandatory Tender Date.
- The outstanding balance of Class A Certificates subject to Mandatory Tender.
- The outstanding balance of Class A Certificates the Holder elects to retain.

Upon the receipt by the Administrator of a Retention Notice, the related Class A Certificates will no longer be subject to the applicable Mandatory Tender. If you exercise the Retention Right your Class A Certificates will not be purchased and you will not receive the Purchase Price.

The Administrator will provide a copy of each Retention Notice to the Remarketing Agent by Electronic Notice, promptly confirmed in writing by mail, not later than the Business Day following the Business Day on which it receives such notice.

### **Effects of Mandatory Tender**

#### *Remarketing*

The Remarketing Agent will remarket Class A Certificates tendered pursuant to the following Mandatory Tender Events:

- a Term Effective Date (that is not a Reset Rate Method Change Date).
- a change (but not a continuation) in the Reset Rate Method from a Weekly Reset Rate Method or Monthly Reset Rate Method to a Monthly Reset Rate Method or a Term Reset Rate Method.
- a change (but not a continuation) in the Reset Rate Method from a Term Reset Rate Method or a Monthly Reset Rate Method to a Weekly Reset Rate Method or Monthly Reset Rate Method.
- a Section 12.01(b) Amendment.
- a Successor Sponsor is appointed.

#### *Termination*

A Series will terminate upon the occurrence of the following Mandatory Tender Events:

- Liquidity Provider Termination Event.
- Clean-Up Event.
- Sponsor Act of Bankruptcy.

See *The Agreement — Termination*.

## **RELEASE EVENT**

### **General**

Freddie Mac has the right to redeem all or a portion of the Class A Certificates if any of the following (each, a **“Release Event”**) occurs:

- Interest on a Bond underlying that Series is determined to be includable in the recipient’s gross income for federal income tax purposes (a **“Tax Event”**). This determination may be made by the entry of any decree or judgment by a court of competent jurisdiction or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, regardless of whether such decree, judgment or action is deemed final under applicable procedural law.
- There is an “event of default” pursuant to the related Bond Documents.
- A material adverse credit condition exists with respect to the related Bonds, Bond Documents or Bond Mortgage Documents or the Reimbursement Agreement.
- There is a substitution of Bonds with respect to which an event of default exists under the related Bond Documents.
- There is a breach of representations made by the Sponsor with respect to a Series of Bonds or related project pursuant to and in accordance with the Reimbursement Agreement.
- The Series terminates in whole or in part pursuant to the Agreement.
- A property related to a Series of Bonds fails to achieve stabilization when required by the terms of the Reimbursement Agreement.

Freddie Mac will redeem Class A Certificates in an amount equal to the outstanding balance of the affected Bonds rounded up to the next multiple of \$5,000 on the next Payment Date after the date of the Release Event. In addition, Freddie Mac will pay interest on such Class A Certificates, together with Hypothetical Gain Share calculated as described in the Supplement or an exhibit to the Supplement.

The redemption related to a Release Event will reduce the outstanding balance of Class A Certificates. The affected Bonds related to a Release Event will be released from the Series Pool following payment of the Release Purchase Price.

### **Sponsor Funded**

The Sponsor has the option to fund the Release Purchase Price and have the affected Bonds released to it. If the Sponsor makes a principal payment in connection with a Release Event, the Supplement will describe the portion of such principal payment that will be applied to redeem Class A Certificates.

### **Freddie Mac Funded**

Unless otherwise described in the Supplement, if Freddie Mac makes a principal payment in connection with a Release Event, the amount of such principal payment to be paid to the Holders of Class

A Certificates will be calculated as follows (provided, if such Release Event relates to a termination of the Series, such principal will be applied as provided below under “Termination”):

Amount to be paid = X + Y

where X = (60%)(A + B) minus B

and Y = A minus (X + C minus D + E) (*But Y will never be less than \$0*)

and where:

A = the principal amount paid by Freddie Mac related to the applicable tax-exempt Bonds subject to a Release Event during the collection period related to that Payment Date

B = the outstanding principal amount of taxable bonds that financed the same Project as the applicable Bonds

C = the Current Class B Certificate Balance

D = the Minimum Sponsor Interest (\$5,000 where Partnership Factors have not been elected)

E = prior distributions of principal other than to Holders of Class A Certificates (including Pledged Class A Certificates) or Holders of Class B Certificates to pay fees of Freddie Mac, the Remarketing Agent or Servicer (to the extent not otherwise paid)

This amount will be paid pro rata to Freddie Mac as the Holder of Pledged Class A Certificates and to the other Holders of Class A Certificates.

## **OPTIONAL DISPOSITION**

Holders who have held Class A Certificates for at least one year have the Optional Disposition Right to tender any of those Class A Certificates for purchase.

The Optional Disposition Right may be exercised beginning on the date specified in the Supplement and on every Payment Date thereafter (“**Optional Disposition Date**”) by any Holder of Class A Certificates (except Affected Certificates and Pledged Class A Certificates). However, Optional Disposition is not available unless the Hypothetical Gain Share is greater than zero.

To exercise the Optional Disposition Right a Holder must submit a written notice to the Registrar at least five Business Days before the related Optional Disposition Date. The notice must state each of the following:

- the identity of the Holder.
- that the Holder is the registered owner of a specified amount of Class A Certificates.
- that the Holder is exercising its right to tender such Class A Certificates in exchange for the Optional Disposition Price.

Freddie Mac will notify the Remarketing Agent within one Business Day after it receives an optional disposition notice. Unless otherwise directed by Freddie Mac, the Remarketing Agent will attempt to remarket Class A Certificates subject to the Optional Disposition Right for settlement on the related Optional Disposition Date.

On the Optional Disposition Date:

- Holders who have exercised the Optional Disposition Right will surrender the Tendered Class A Certificates to Freddie Mac. However, if the Hypothetical Gain Share on an Optional Disposition Date is not greater than zero, that Optional Disposition Date will be cancelled and any Class A Certificates delivered to Freddie Mac for Optional Disposition will be returned to the Holders thereof.
- Freddie Mac will pay the Optional Disposition Price equal to the outstanding balance of such Class A Certificates *plus* any accrued and unpaid interest through the day before the Optional Disposition Date *plus*, from the sources described below, any Hypothetical Gain Share received for any Class A Certificates tendered pursuant to the Optional Disposition Right.

Any Holder of Class A Certificates may request a valuation of the Bonds from the Remarketing Agent on any Business Day not earlier than ten Business Days before an Optional Disposition Date. The Remarketing Agent will then determine such valuation for such Business Day in the manner specified in the definition of “Hypothetical Gain Share” in the Supplement or an exhibit to the Supplement. Such valuation will be provided solely for informational purposes and will not be binding.

For each Optional Disposition Date, Freddie Mac will calculate the Hypothetical Gain Share for that Optional Disposition Date and pay the Hypothetical Gain Share, if any, from (i) first, amounts provided to Freddie Mac by the Holders of Class B Certificates, at their election after inquiry by Freddie Mac and (ii) second, sales of Bonds selected by Freddie Mac, but only to the extent necessary to pay such Hypothetical Gain Share (subject to applicable Authorized Denomination provisions). Freddie Mac will not pay Hypothetical Gain Share in an aggregate principal amount exceeding the outstanding balance of the Class A Certificates for which the Optional Disposition Right has been exercised; provided, that to the extent any such Class A Certificates are remarketed, the outstanding balance of such Class A Certificates will be adjusted, if necessary, downward by the aggregate principal amount of Bonds sold, such that the outstanding balance of Class A Certificates and Class B Certificates does not exceed the outstanding balance of related Bonds.

## **GUARANTEES**

We guarantee to each Holder of Class A Certificates until the Series terminates:

- The timely payment of interest at the applicable Reset Rate as described under *The Certificates — Payments — Interest*.
- The timely payment of scheduled principal as described under *The Certificates — Payments — Principal*, including payment in full by the applicable Final Payment Date.
- The timely payment of amounts due (other than Redemption Premium) upon the occurrence of any Release Event as described under *The Certificates — Release Event*.
- The payment of any Bankruptcy Coverage Payments as defined in the Supplement or an exhibit to the Supplement.

We do not guarantee the payment of any Redemption Premium or Hypothetical Gain Share.

**Principal and interest payments on the Class A Certificates are not guaranteed by, and are not debts or obligations of, the United States or any federal agency or instrumentality other than**

**Freddie Mac.** In the event the Conservator were to repudiate our guarantee obligation, the ability of Holders of Class A Certificates to enforce the guarantee obligation would be limited to actual direct compensatory damages. The rights of Holders to bring proceedings against Treasury are limited if we fail to pay under our guarantee. The Conservator has advised us that it has no intention of repudiating our guarantee obligation because it views repudiation as incompatible with the goals of the conservatorship.

The rights provided to Holders of Class A Certificates may not be enforced against FHFA, or enforcement of such rights may be delayed, if we are placed into receivership. The Reform Act provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which Freddie Mac is a party, or obtain possession of or exercise control over any property of Freddie Mac, or affect any contractual rights of Freddie Mac, without the approval of FHFA, as receiver, for a period of 90 days following the appointment of FHFA as receiver.

## **FORM, HOLDERS AND PAYMENT PROCEDURES**

### **Form of Certificates**

DTC is a New York-chartered limited purpose trust company that performs services for its participants (“**DTC Participants**”), mostly brokerage firms and other financial institutions. Class A Certificates are registered in the name of DTC or its nominee. Therefore, DTC or its nominee is the holder of Class A Certificates held on the DTC System.

### **CUSIP Number**

Each class of Certificates for each Series will carry a unique nine-character designation, known as a “**CUSIP Number**,” used to identify that class.

### **Denominations**

Class A Certificates are issued, held, transferred and tendered in minimum original principal balances of \$5,000 and additional increments of \$5,000.

### **Holders of Class A Certificates**

A Holder of a Class A Certificate is not necessarily its beneficial owner. Beneficial owners ordinarily will hold Class A Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. Your ownership of Class A Certificates will be recorded on the records of the brokerage firm, bank or other financial intermediary where you maintain an account for that purpose. In turn, the financial intermediary’s interest in the Class A Certificate will be recorded on the records of DTC (or of a DTC Participant that acts as agent for the financial intermediary, if the intermediary is not itself a DTC Participant).

A Holder that is not also the beneficial owner of a Class A Certificate, and each other financial intermediary in the chain between the Holder and the beneficial owner, will be responsible for establishing and maintaining accounts for their customers. Freddie Mac will not have a direct obligation to a beneficial owner of a Class A Certificate that is not also the Holder. DTC will act only upon the instructions of the applicable DTC Participant in recording transfers of Class A Certificates.

Freddie Mac, the Registrar and DTC may treat the Holder as the absolute owner of a Class A Certificate for the purpose of receiving payments and for all other purposes, regardless of any notice to

the contrary. Your rights as a beneficial owner of a Class A Certificate may be exercised only through the Holder.

### **Payment Procedures**

We, or in some cases, the Registrar, make payments on Class A Certificates held on the DTC System in immediately available funds to DTC. DTC is responsible for crediting the payment to the accounts of the appropriate DTC Participants in accordance with its normal procedures. Each Holder and each other financial intermediary will be responsible for remitting payments to the beneficial owners of Class A Certificates that it represents.

If a principal or interest payment error occurs, we may correct it by adjusting payments to be made on later Payment Dates or in any other manner we consider appropriate.

### **SUBSTITUTION OF BONDS**

The Sponsor may substitute Bonds for existing Bonds with respect to which an event of default exists under the related Bond Documents on any Payment Date after the Closing Date (a “**Substitution Date**”). To make such a substitution the Sponsor must:

- obtain consent of the Holders of Class B Certificates;
- obtain the consent of Freddie Mac; and
- deliver a confirmation of the existing rating on the Class A Certificates from each applicable Rating Agency to the Administrator.

Any Bonds delivered in substitution for existing Bonds must have terms consistent with the series of Bonds being released, including principal amount (which must be equal to or less than the principal amount of Bonds being released), tax status, interest rate, interest payment date and interest modes. If the principal amount is less, the Sponsor must, prior to substitution, provide funds to the Administrator in an amount sufficient to effect a Release Event with respect to the principal portion of the Bonds being released that is in excess of the principal amount of Bonds being substituted. In addition, upon any substitution, the Sponsor must pay Hypothetical Gain Share, if any, as calculated by Freddie Mac, with respect to the total principal amount of Bonds being released.

At least ten days prior to each Substitution Date the Sponsor must submit a “**Substitution Notice**” to the Administrator and the Remarketing Agent together with copies of the consents and ratings confirmation (if applicable). The Substitution Notice shall set forth:

- the series of Bonds to be released upon substitution;
- the information set forth on Schedule 1 of the Series Certificate Agreement for the Bonds to be substituted;
- the Substitution Date;
- the amount being paid by the Sponsor to effect a related Release Event and Hypothetical Gain Share, if applicable; and
- instructions to the Administrator to effect the substitution on the Substitution Date.

The Administrator will forward a copy of the Substitution Notice to the Holders and each applicable Rating Agency within five Business Days of its receipt of the Substitution Notice and the amount of funds



necessary to fund any related Release Event and Hypothetical Gain Share, if applicable, and will effect the substitution on the Substitution Date.

## **PREPAYMENT, YIELD AND SUITABILITY CONSIDERATIONS**

### **PREPAYMENTS**

The rates of principal payments on the Class A Certificates will depend on the rates of principal payments on the underlying Bonds and Mortgages and the occurrence of Release Events. Principal payments may be in the form of scheduled amortization or partial or full prepayments. Prepayments include:

- Prepayments by the borrower and resulting optional redemptions of the related Bonds.
- Bond redemptions resulting from default, casualty or condemnation.
- Payments we make under our guarantee of principal in connection with a Release Event.
- Other redemptions of the Bonds, including redemptions arising from failure of the property related to the Bonds to achieve occupancy targets.

Unless otherwise specified in the applicable Supplement, the Mortgages may be voluntarily prepaid in full or in part at any time, subject to any applicable prepayment premiums or lockout periods. If the Mortgages are voluntarily prepaid, the Bonds will be redeemed in the amount of the prepayment.

Mortgage prepayment rates may fluctuate significantly over time. Prepayment rates are influenced by a variety of economic, social and other factors, which may exist in multiple combinations, including:

- The age, principal amount, geographic distribution and payment terms of the Mortgages.
- The remaining depreciable lives of the underlying properties.
- The physical condition of the underlying properties (including the presence of any hazardous substances or other environmental problems).
- Any applicable tax laws (including depreciation benefits) in effect from time to time.
- Characteristics of the borrowers (such as credit status and management ability) and their equity positions in the underlying properties.
- Changes in local industry and population migration and relocation as they affect the supply and demand for rental units and rent levels.
- Prevailing rent levels (as may be limited by any applicable rent control or stabilization laws) affecting cash flows from the underlying properties.
- Levels of current mortgage interest rates and borrower refinancing activities.
- Activity of lenders in soliciting refinancing, including refinancing without significant transaction costs by the borrower.
- Attractiveness of other investment alternatives.
- The existence of prepayment premiums or lockout provisions.
- Certain state laws limiting the enforceability of lockout periods and the collection of prepayment premiums.

The characteristics of particular Mortgages may also influence their prepayment rates. Also, different types of Mortgages may be affected differently by the same factor, and some factors may affect prepayment behavior on only some types of Mortgages.

The rate of defaults of the Mortgages underlying a Bond will also affect the prepayment behavior of the related Series. Defaults may increase during periods of declining property values or as a result of other factors that decrease borrowers' equity. In addition, mortgage servicing decisions, including seeking alternatives to foreclosure, may impact the prepayment behavior of particular Bonds.

The factors affecting the prepayment behavior of the Mortgages differ in certain respects from those affecting the prepayment behavior of single family mortgages. A borrower typically views multifamily properties solely as an investment and, therefore, economic rather than personal considerations primarily will affect the prepayment behavior of the Mortgages. Also, individual Mortgage amounts often are large and one Mortgage is likely to comprise a larger portion of the assets of a Series than would be the case with a pool of single family mortgages. Therefore, principal prepayments may significantly affect the yield on the Class A Certificates if you purchased your certificates at a premium or discount. Similarly, the prepayment behavior of a Series containing only one or a small number of Mortgages is likely to be more volatile than the prepayment behavior of a Series backed by a large number of Mortgages, because a prepayment on a single Mortgage may result in the payment to Holders of a substantial portion of the principal amount of a Series. We cannot make any representation regarding the likely prepayment experience of the Mortgages underlying any Class A Certificate or the particular effect that any factor may have on Mortgage prepayment behavior. For example, although we may expect Mortgages with higher prepayment premiums to prepay less frequently than Mortgages with lower or no prepayment premiums, prepayment premium provisions may or may not effectively deter prepayments. Similarly, lockout provisions may or may not prevent prepayments.

## **YIELDS**

### **General**

In general, your yield on any Class A Certificates will depend on several variables, including:

- The price you paid for the Class A Certificates.
- The interest rate on your Class A Certificates.
- The rate of principal prepayments on the underlying Mortgages.
- The payment delay of your Class A Certificates.

### **Payment Delay**

The effective yield on any Class A Certificates will be less than the yield that its Reset Rate and purchase price would otherwise produce, because the interest payable on the Class A Certificates will accrue during its Accrual Period, which will end approximately 15 days before each Payment Date.

## **SUITABILITY**

Class A Certificates may not be suitable investments for you. You should consider the following before you invest in Class A Certificates.

- Class A Certificates are not appropriate investments if you require a single lump sum payment on a date other than a Purchase Date.

- Class A Certificates are complex securities. Before investing in Class A Certificates, you should be able, either alone or with a financial advisor, to evaluate the information contained and incorporated in this Offering Circular and in the related Supplement. You should evaluate the information in the context of your personal financial situation, the potential loss of the Tender Option upon a Tender Option Termination Event or a Liquidity Failure, and your views on possible and likely interest rate and economic scenarios.

This Offering Circular does not describe all the possible risks of an investment in Class A Certificates that may result from your particular circumstances, nor does it project how Class A Certificates will perform under all possible interest rate and economic scenarios. You should purchase Class A Certificates only if you understand and can bear the potential loss of the Tender Option upon a Tender Option Termination Event and the prepayment, yield, liquidity and market risks associated with your investment under a variety of interest rate and economic scenarios. If you purchase Class A Certificates, you need to have enough financial resources to bear all the risks related to your Class A Certificates.

## THE AGREEMENT

### GENERAL

We create Certificates under the Freddie Mac Multifamily Variable Rate Certificates Standard Terms dated as of the closing date of the related Series (the “**Standard Terms**”). We prepare a “**Series Certificate Agreement**” for each Series of Certificates. For any particular offering, the Standard Terms and the applicable Series Certificate Agreement together constitute the “**Agreement.**”

Freddie Mac will administer each Series in accordance with the terms of the Agreement. If Freddie Mac is no longer the Administrator of a Series, the obligations of Freddie Mac as administrator and notices to Freddie Mac described in this Offering Circular will be obligations of and notices to the successor administrator, respectively.

### Adjustment of Class B Certificate Balances

#### *Decrease in Class B Certificates*

Holders of Class B Certificates will have the right to convert a specified balance of Class B Certificates that they hold to an equivalent balance of Class A Certificates if:

- Freddie Mac consents.
- and*
- Either:
  - The proposed conversion date is a Reset Date for the applicable Reset Rate Method.
  - or*
  - Written consent of 100% of the Holders of Class A Certificates has been obtained.

If the Sponsor is the directing Holder alone, the outstanding balance of Class B Certificates to be converted may be equal to or less than the outstanding balance that it holds, subject to maintaining a minimum outstanding balance of Class B Certificates of \$5,000. If all Holders of Class B Certificates make such direction, the outstanding balance of Class B Certificates to be converted for each such Holder

will be proportional to the outstanding balance of each Holder's Class B Certificates prior to conversion, subject to the Sponsor's maintaining a minimum outstanding balance of Class B Certificates of \$5,000.

To convert Class B Certificates under this provision, Holders of Class B Certificates will deliver the following items to Freddie Mac at least 15 Business Days prior to the date on which such conversion is to occur:

- a written request to increase the outstanding balance of such Class A Certificates.
- the written consent of Freddie Mac.
- an equivalent outstanding balance of Class B Certificates on the date of the conversion.

Freddie Mac will promptly notify DTC of the resulting reduction in the aggregate outstanding balance of Class B Certificates and the corresponding increase in the aggregate outstanding balance of Class A Certificates and the Liquidity Commitment.

### **Advances and Advance Charges**

Bonds may pay either on a monthly or semi-annual basis. As Administrator, Freddie Mac may make Administrator Advances to provide a regular flow of payments to Holders on each monthly Payment Date if Bonds make semi-annual payments as described below.

#### *Freddie Mac to Make Administrator Advances*

Freddie Mac may, but need not, make Advances to Holders of Class A Certificates on a Payment Date in an amount up to the Required Class A Certificate Interest Distribution Amount for the prior Accrual Period. The decision by Freddie Mac to make an Administrator Advance of any amount will be made in the sole discretion of Freddie Mac and no decision to make an Administrator Advance will impose any obligation to make an Administrator Advance of any further amount. On each occasion when Freddie Mac determines to make an Administrator Advance, Freddie Mac will notify the Remarketing Agent of such determination prior to 12:00 noon, on the Business Day prior to such Payment Date.

#### *Repayment of Administrator Advances*

Freddie Mac will be entitled to reimburse itself for Administrator Advances from amounts deposited in the Distribution Account or from proceeds of the sale of Bonds.

#### *Administrator Advance Charge*

Freddie Mac will be entitled to receive a fee equal to the Accrued Advance Charges, computed on the amount of outstanding Administrator Advances on each day multiplied by the prime rate of interest in effect on such date, divided by 365. Prime rate will equal the prime or base lending rate of major banks as published in *The Wall Street Journal*.

#### *Payment of Administrator Advance Charge*

Administrator Advance Charges will be paid from Available Funds derived from interest payments on Bonds or funds in the Holdback subaccount before payments to Class A Holders on each Payment Date, to the extent available, and as elsewhere provided in the Series Certificate Agreement upon the withdrawal, sale or redemption of Bonds.

Each Holder of Certificates, by its purchase thereof, authorizes Freddie Mac to deduct from payments on the Bonds any unreimbursed Administrator Advances and any unpaid Administrator Advance Charges, and accrued fees and reimbursements due to Freddie Mac, the Remarketing Agent and the Servicer.

If Freddie Mac determines not to make Administrator Advances for any reason, interest distributions on the Class A Certificates will be made on each Payment Date in the manner described in *The Certificates — Payments — Interest*. After the payment of Administrator Fees and Administrator Advance Charges, all amounts in the Distribution Account related to interest or holdback requirements will be paid immediately to Holders of Class A Certificates on each Payment Date. Interest on the Class A Certificates will continue to accrue at the Reset Rate in effect for each Accrual Period without an increase in the accrual rate for any delay in payment.

### **Payment of Expenses**

Freddie Mac will be paid certain fees related to each Series. The Sponsor will pay Freddie Mac an issuance fee on the Closing Date of each Series. The Sponsor will pay the following expenses:

- (i) to Freddie Mac the Administrator Fee (to the extent not paid from funds received by the Series Pool),
- (ii) to the Remarketing Agent the Remarketing Agent Fee (to the extent not paid from funds received by the Series Pool),
- (iii) to the Initial Purchaser or Placement Agent any amounts owed to the Initial Purchaser pursuant to the Remarketing Agreement in connection with issuing and selling the Class A Certificates and in connection with preparing all related offering documents;
- (iv) except as otherwise expressly provided in the Series Certificate Agreement, to Freddie Mac all reasonable out-of-pocket expenses, disbursements and advances made by it in accordance with any provision of the Series Certificate Agreement (including the reasonable compensation, expenses and disbursements of its respective agents and counsel), except any such expense, disbursement or advance as may be attributable to its gross negligence, bad faith, fraud or willful misconduct;
- (v) any penalties, and interest on penalties, imposed on the Series relating to a Section 761 Election as set forth in Section 11.08 of the Agreement; and
- (vi) any amounts required to be paid by it pursuant to the Agreement, the Remarketing Agreement, the Reimbursement Agreement, the Certificates and the Certificate Purchase Agreement.

### **Resignation or Removal of the Remarketing Agent**

The Remarketing Agent may resign upon giving of 30 days' written notice to the Holders of Class B Certificates and Freddie Mac. If the Remarketing Agent duly notifies the Class B Certificate Holders and Freddie Mac, it will be discharged from its duties under the Series Certificate Agreement. Upon receiving such notice of resignation, Freddie Mac will promptly appoint a successor Remarketing Agent.

The Remarketing Agent may be removed without cause on ten days' written notice at the written request of Freddie Mac. Upon any such removal of the Remarketing Agent, Freddie Mac will promptly appoint a successor Remarketing Agent.

Any removal or resignation of the Remarketing Agent and any appointment of a successor Remarketing Agent will not become effective until the successor Remarketing Agent accepts its appointment in form acceptable to Freddie Mac.

## **VARIOUS MATTERS REGARDING FREDDIE MAC**

Freddie Mac and its directors, officers, employees and agents will not be liable to Holders for any action taken or omitted in good faith or for errors in judgment.

In addition, Freddie Mac need not appear in any legal action that we believe may result in any expense or liability for which repayment of such expenses or indemnity for such liability is not adequately assured. However, Freddie Mac may undertake any legal action that we believe is necessary or desirable in the interests of the Holders.

Freddie Mac may acquire all or part of the Certificates of any Series of Class A Certificates. The Certificates we hold will be treated the same as Certificates of the same Class held by other Holders.

The Agreement will be binding upon any successor to Freddie Mac.

## **EVENTS OF DEFAULT**

“Events of Default” under the Agreement are:

- Any failure by the Administrator to pay the applicable Certificate Payment Amount, and such failure continues for three Business Days.
- Any failure by Freddie Mac to pay amounts required pursuant to the Credit Enhancement or Liquidity Facility, and such failure continues for three Business Days.
- Any failure by Freddie Mac (or the Administrator, if different than Freddie Mac) to perform any other obligation under the Agreement, if the failure lasts for 60 days after Freddie Mac receives notice from the Holders of at least 60% of the outstanding principal amount of affected Class A Certificates or Class B Certificates, as applicable.

## **RIGHTS UPON EVENT OF DEFAULT**

If an Event of Default under the Agreement is not remedied, the Holders of a majority of the outstanding balance of any affected Class of Certificates may remove Freddie Mac as Administrator and nominate a successor to Freddie Mac as Administrator, except as to its guarantee obligations and its obligation to pay the Purchase Price. That nominee will replace Freddie Mac unless Freddie Mac objects within ten days after the nomination. In that event, either Freddie Mac or anyone who has been a bona fide Holder of an affected Class for at least six months may ask a court to appoint a successor. The court may then appoint a successor to Freddie Mac except as to its guarantee obligations and the obligation to pay the Purchase Price.

Holders of a majority of the outstanding principal amount of any affected Class of Certificates may waive any Event of Default under the Agreement. When any Event of Default under the Agreement is waived, the Event of Default will cease to exist and be deemed cured and not to have occurred for every purpose of the Agreement, but a waiver of an Event of Default will not extend to any subsequent or other Event of Default.

## **VOTING UNDER ANY UNDERLYING AGREEMENT**

Holders of Bonds have various rights under the agreements governing the Bonds. We will hold the Bonds that back Class A Certificates. In our role as provider of the Credit Enhancement and the Liquidity Facility we are appointed as the “**Bondholder Representative.**” If any action, consent or direction relating to a change in the terms of the Bonds or the related Bond Documents is required from the owners of Bonds as provided in the related Bond Documents, the Administrator will solicit our proxy for such vote, consent or direction and the Administrator will vote, consent or otherwise take direction solely in accordance with the written direction of us as the Bondholder Representative. Upon the occurrence and during the continuance of any failure by Freddie Mac to pay under its Credit Enhancement or Liquidity Facility, however, the Administrator will solicit from each Holder of Certificates its proxy for any such vote, consent or direction and will vote, consent or otherwise take direction solely in accordance with such proxies, weighted by the Current Certificate Balance of each Holder providing the same.

Holders of Bonds also have the right to consent to amendments to their governing agreements. The Agreement provides that, as the Bondholder Representative, we may consent to such an amendment.

## **AMENDMENT**

### **12.01(b) Amendment**

Section 12.01(b) Amendments are amendments that relate to:

- changes affecting distributions and payments from the Distribution Account;
- changes to the method of determining the Reset Rate or the Reset Rate Method;
- changes related to the Tender Option or Tender Option Termination Events; or
- the provisions regarding amendments to those sections and Section 12.01(b) of the Standard Terms.

A Section 12.01(b) Amendment constitutes a Mandatory Tender Event which is subject to the Retention Right.

Freddie Mac may effect a Section 12.01(b) Amendment upon receiving consent of the Holders of Class A Certificates, which consent is to be evidenced by executing a Retention Notice. Holders of Class A Certificates that do not execute a Retention Notice will have their Certificates subject to Mandatory Tender.

### **Other Amendments**

Freddie Mac also may amend the Agreement in any other way upon receipt of the following:

- Consent of the Sponsor and Holders of 51% of the outstanding Current Certificate Balance of Class B Certificates.
- An opinion of Tax Counsel satisfactory to Freddie Mac and the Sponsor to the effect that the amendment does not adversely affect any of the prior opinions relating to federal income taxation pertaining to the Certificates.
- Each applicable Rating Agency confirms its rating on the Class A Certificates.

## **Amendment Procedures**

Freddie Mac will provide notice of any proposed amendment of the Agreement to Holders at least twenty days prior to the effective date of the amendment. In the case of an amendment that is not a Section 12.01(b) Amendment, if the Reset Rate is a Monthly Reset Rate and the next Purchase Date or Mandatory Tender Date will occur either (i) after the proposed effective date of such amendment or (ii) before the date which is ten Business Days after the Registered Holders receive notice of such amendment, then Holders of Class A Certificates will be permitted to treat the Business Day preceding the proposed effective date of such amendment as a Purchase Date for purposes of exercising their Optional Tender. In the case of a Section 12.01(b) Amendment, Holders of Class A Certificates who elect to exercise their Retention Right will be deemed to have consented to the related amendment.

## **GOVERNING LAW**

The Agreement is to be interpreted in accordance with federal law. If there is no applicable federal precedent and if the application of New York law would not frustrate the purposes of the Freddie Mac Act, the Agreement or any transaction under the Agreement, then New York law will be deemed to reflect federal law.

## **TERMINATION**

The obligations of Freddie Mac, the Remarketing Agent and the Sponsor created under the Series Certificate Agreement (other than the obligations noted below) will terminate upon the earliest of the following events (each of which is a **“Series Termination Event”**):

- the date on which the outstanding balance of Class A Certificates is reduced to zero (the **“Series Expiration Date”**);
- the Exchange Date on which all Certificates are exchanged for Bonds or sales proceeds in connection with a Tender Option Termination Event or a Liquidity Failure;
- the Mandatory Tender Date relating to a Mandatory Tender Event arising in connection with a Liquidity Provider Termination Event, a Clean-Up Event, or, if applicable, following a Sponsor Act of Bankruptcy; or
- the date on which the Optional Disposition Right has been exercised with respect to the last Class A Certificate (unless such Class A Certificate has been remarketed).

A Series Termination Event does not terminate the following obligations of Freddie Mac, the Remarketing Agent and the Sponsor:

- The obligation of the Sponsor to make certain payments of expenses.
- If Partnership Factors Apply, the Sponsor’s liabilities for certain obligations under the Series Certificate Agreement to the extent not otherwise satisfied.
- Bankruptcy Coverage Payments and payments due upon the termination of such Series.



## **Termination Procedures**

### *General*

If a Series is terminated upon the occurrence of any of the following:

- a Tender Option Termination Event;
- a Liquidity Failure;
- a Terminating Mandatory Tender Date; or
- the Optional Disposition Right has been exercised with respect to the last Class A Certificate

the Series will be terminated by distributing

- the amounts, if any, on deposit in the Bond Payment Subaccount — Interest and/or the Bond Payment Subaccount — Principal to the related Holders, based on their respective outstanding balances and in accordance with their Capital Account Balances.
- the amount in the Bond Payment Subaccount — Holdback to the Holders of Class B Certificates.

So long as the Sponsor maintains the Minimum Sponsor Interest and a Series Termination Event has not occurred, the Series will continue in full force and effect.

### *Series Expiration Date*

If a Series is to be terminated, Freddie Mac will notify the Holders of the pending termination of the Series and of the responsibilities of Freddie Mac, the Remarketing Agent and the Sponsor under the Series Certificate Agreement on a date prior to the Series Expiration Date and the final distribution of a Series of Class A Certificates. This notice will specify:

- the expected final Payment Date.
- the expected principal amount of such final payment.
- the Record Date for such payment (and that the regular Record Date will not apply to the final distribution).
- instructions for presentation and surrender of such Holder's Class A Certificates for cancellation.

### *Termination Due to a Liquidity Failure or a Tender Option Termination Event Relating to a Rating Downgrade*

If a Series is terminated upon a Liquidity Failure or a Tender Option Termination Event of the type set forth in subparagraph (c) of the definition thereof (relating to a rating downgrade), Freddie Mac will terminate the Series as follows:

- Freddie Mac will provide written notice to the Holders of the pending termination of the responsibilities of Freddie Mac, the Remarketing Agent and the Sponsor under the Series Certificate Agreement.
- On the Business Day immediately preceding such Exchange Date, Freddie Mac will solicit at least three commitments to purchase the Bonds from Persons (other than the Remarketing Agent, Freddie Mac or a Holder of Class B Certificates of that Series (and affiliates of each

such party)) which customarily provide such bids, including but not limited to investment dealers and brokers that customarily deal in municipal bonds.

- If the Bonds can be sold for a price (the “**Required Exchange Price**”) that is at least equal to the sum of (a) accrued and unpaid expenses of the Series (including any Administrator Fee, Freddie Mac Fee, Administrator Advance, Daily Administrator Advance Charges, Servicing Fee and Remarketing Agent Fee), (b) the outstanding balance of the Class A Certificates plus the accrued but unpaid interest thereon and (c) the outstanding balance of the Class B Certificates the Series will be liquidated as follows:
  - On the Exchange Date Freddie Mac will sell the Bonds to the party that has offered the highest price for the Bonds by the close of business on the Business Day preceding the Exchange Date; provided, however, that Remarketing Agent, Freddie Mac or a Holder of Class B Certificates of that Series (and affiliates of each such party) may purchase the Bonds at a price equal to the highest bid, with priority given, first, to Holders of Class B Certificates, and second, to Freddie Mac.
  - Freddie Mac will distribute the liquidation proceeds from the sale of Bonds in the following order of priority:
    1. To pay any accrued and unpaid expenses of the Series (including, but not limited to any Administrator Fee, Credit Facility Fee, Advance, Advance Charges, Liquidity Facility Fee and Remarketing Agent Fee).
    2. To the Holders of Class A Certificates an amount equal to the outstanding balance of their Class A Certificates plus the accrued but unpaid interest thereon.
    3. To the Holders of Class B Certificates an amount equal to the outstanding balance of their Class B Certificates.
    4. To the Holders of Class A Certificates the amount of each such Holder’s liquidating distribution with respect to the remaining portion of their Capital Account Balance as determined by Freddie Mac in accordance with Section 11.02 of the Standard Terms (generally equal to Gain Share as calculated pursuant to the Series Certificate Agreement).
    5. To the Holders of Class B Certificates the amount of each such Holder’s liquidating distribution with respect to the remaining portion of their Capital Account Balance (after taking into account the payment of the outstanding balance made pursuant to step 3) including Gain Share and Market Discount Share.
- In the case of either a Liquidity Failure or a Tender Option Termination Event of the type set forth in subparagraph (c) of the definition thereof (relating to a rating downgrade), if the Bonds cannot be sold for a price that is at least equal to the Required Exchange Price, Freddie Mac will elect that the Bonds be subject to mandatory purchase from the Series Pool at the Release Purchase Price and declare a Release Event for such purpose, and Freddie Mac will distribute the proceeds from such funding of such Release Event in the order provided in the preceding paragraph.

- If there is any failure in funding a Release Event as required pursuant to the preceding paragraph which failure continues for a period of three (3) Business Days, the Series will be liquidated as follows on the Exchange Date:
  - Freddie Mac will sell a principal amount of each Bond equal to the portion of the outstanding balance of that Bond necessary to generate proceeds sufficient to pay any accrued and unpaid expenses of the Series (including, but not limited to any Administrator Fee, Credit Facility Fee, Advances, Advance Charges, Liquidity Facility Fee and Remarketing Agent Fee), determined by multiplying the sum of such expenses by the ratio of the Outstanding Bond Balance to the Aggregate Outstanding Bond Balance.
  - Thereafter Freddie Mac will distribute each Bond, on a *pari passu* basis, to the Holders of Certificates in accordance with the Holders pro rata ownership interest in the outstanding Certificates.

Upon the completion of these distributions, all Class B Certificates and Class A Certificates will be canceled.

*Termination Related to a Tender Option Termination Event for Bond Taxability or Failure to Pay*

If all or a portion of a Series is terminated due to a Tender Option Termination Event of the type set forth in subparagraph (a) of the definition thereof (relating to a failure to pay) or a Tender Option Termination Event of the type set forth in subparagraph (b) of the definition thereof (relating to bond taxability), Freddie Mac will use its best efforts to sell the Affected Bonds by the close of business on the Exchange Date, as follows:

- On the Business Day immediately preceding such Exchange Date, Freddie Mac will solicit at least three commitments to purchase the Affected Bonds from Persons (other than the Remarketing Agent, Freddie Mac or a Holder of Class B Certificates of that Series (and affiliates of each such party)) which customarily provide such bids, including but not limited to investment dealers and brokers that customarily deal in municipal bonds.
- If the Affected Bonds can be sold for a price (the “**Partial Termination Required Exchange Price**”) that is at least equal to the sum of (a) accrued and unpaid expenses of the Series (including any Administrator Fee, Freddie Mac Fee, Administrator Advances, Daily Administrator Advance Charges, Servicing Fee and Remarketing Agent Fee), determined by multiplying the sum of such expenses by the ratio of the principal balance of the Affected Bonds to the Aggregate Bonds to the Aggregate Outstanding Bond Balance, (b) an amount equal to the sum of (1) the product of the principal balance of the Affected Bonds and the ratio of their Current Certificate Balances to the Aggregate Outstanding Certificate Balance and (2) the accrued but unpaid interest on Class A Certificates and (c) an amount equal to the product of the principal balance of the Affected Bonds and the ratio of the Current Class B Certificate Balance to the Aggregate Outstanding Certificate Balance, the Series will be partially terminated as follows:
  - On the Exchange Date Freddie Mac will sell the Affected Bonds to the party that has offered the highest price for the Bonds by the close of business on the Business Day preceding the Exchange Date; provided, however, that Remarketing Agent, Freddie

Mac or a Holder of Class B Certificates of that Series (and affiliates of each such party) may purchase the Bonds at a price equal to the highest bid, with priority given, first, to Holders of Class B Certificates, and second, to Freddie Mac.

- Freddie Mac will distribute the liquidation proceeds from the sale of Bonds in the following order of priority:
  1. To pay any allocable accrued and unpaid expenses of the Series (including, but not limited to any Administrator Fee, Credit Facility Fee, Advances, Advance Charges, Liquidity Facility Fee and Remarketing Agent Fee), determined by multiplying the sum of such expenses by the ratio of the principal balance of the Affected Bonds to the aggregate outstanding balance of the Bonds underlying that Series.
  2. To the Holders of Class A Certificates an amount equal to the sum of (1) the product of the principal balance of the Affected Bonds and the ratio of their outstanding balances to the aggregate outstanding balance of Class A Certificates and Class B Certificates and (2) the accrued but unpaid interest on the Class A Certificates.
  3. To the Holders of Class B Certificates an amount equal to the product of the principal balance of the Affected Bonds and the ratio of their outstanding balances to the aggregate outstanding balance of Class A Certificates and Class B Certificates.
  4. To the Holders of Class A Certificates the amount of each such Holder's Capital Account Balance that is attributable to the Affected Bonds (after taking into account the payments made pursuant to step 2) as determined by Freddie Mac in accordance with Section 11.02 of the Standard Terms (generally, Gain Share as calculated pursuant to the Series Certificate Agreement).
  5. To the Holders of Class B Certificates their respective distribution in the amount of each such Holder's Capital Account Balance that is attributable to the Affected Bonds (after taking into account the payment made pursuant to step 3) as determined by Freddie Mac in accordance with the Agreement including Gain Share and Market Discount Share.
- In the case of a Tender Option Termination Event of the type set forth in subparagraph (b) of the definition thereof (relating to Bond taxability), if the Affected Bonds cannot be sold for a price that is at least equal to the Partial Termination Required Exchange Price, Freddie Mac will elect that the Affected Bonds be subject to mandatory purchase from the Series Pool at the Release Purchase Price and declare a Release Event for such purpose, and Freddie Mac will distribute the proceeds from such funding of such Release Event in the order provided in the preceding paragraph. If there is any failure in the funding of such Release Event which failure continues for a period of three (3) Business Days, the Series Pool will be liquidated in accordance with the provisions of the following paragraph.
- In the event of a Tender Option Termination Event of the type set forth in subparagraph (a) of the definition thereof (relating to a failure to pay) or of the type set forth in subparagraph (b) of the definition thereof (relating to Bond taxability), if the Affected Bonds cannot be sold for a price that is at least equal to the Partial Termination Required Exchange Price (and in

the case of a Tender Option Termination Event of the type set forth in subparagraph (b), the funding of a Release Event does not occur as provided in the preceding paragraph), Freddie Mac will liquidate the Series in part by selling the portion of the outstanding balance of each Affected Bond necessary to generate proceeds sufficient to pay any allocable accrued and unpaid expenses of the Series (including, but not limited to any Administrator Fee, Credit Facility Fee, Advances, Advance Charges, Liquidity Facility Fee and Remarketing Agent Fee), determined by multiplying the sum of such expenses by the ratio of the outstanding balance of such Bond to the aggregate outstanding balance of the Bonds of that Series. Thereafter, Freddie Mac will distribute each Affected Bond, on a *pari passu* basis, to the Holders of Class A Certificates and the Holders of Class B Certificates as follows:

- to the Holders of Class A Certificates the product of:
  - (a) the remaining outstanding balance of such Affected Bond *and*
  - (b) the ratio of the outstanding balance of Class A Certificates to the aggregate outstanding balance of Class A Certificates and Class B Certificates.
- to the Holders of Class B Certificates the product of:
  - (a) the remaining outstanding balance of such Affected Bond *and*
  - (b) the ratio of the outstanding balance of Class B Certificates to the aggregate outstanding balance of Class A Certificates and Class B Certificates.

Upon the completion of these distributions:

- corresponding adjustments will be made to Capital Account Balances and outstanding balances to reflect such distributions.
- The Affected Certificates will be deemed cancelled and the then outstanding Certificates with outstanding balances reflecting such adjustments will not be considered Affected Certificates for purposes of the Series Certificate Agreement.
- The related Tender Option Termination Event will no longer be considered to be continuing for purposes of the Series Certificate Agreement.

#### *Terminating Mandatory Tender Date*

If a Series is terminated on a Terminating Mandatory Tender Date that is related to a Liquidity Provider Termination Event, a Clean-up Event or, if applicable, a Sponsor Act of Bankruptcy, Freddie Mac will liquidate the Series as follows:

- On the second Business Day preceding the Terminating Mandatory Tender Date, the Remarketing Agent will solicit three bids to purchase the Bonds from Persons (other than the Remarketing Agent, Freddie Mac or a Holder of Class B Certificates of that Series (or the affiliates of each of these parties)) which customarily provide such bids.
- On the Terminating Mandatory Tender Date, Freddie Mac will sell the Bonds to the extent necessary to pay (i) any accrued and unpaid expenses of the Series (including, but not limited to, Administrator Fee, Credit Facility Fee, Advances, Liquidity Facility Fee, Advance Charges and Remarketing Agent Fee) and (ii) Hypothetical Gain Share, if any, as calculated by Freddie Mac. Funds to pay the Hypothetical Gain Share will come from (i) first, amounts provided by the Holders of Class B Certificates to Freddie Mac on such Terminating

Mandatory Tender Date at their election after inquiry by Freddie Mac and (ii) second, from sales proceeds as described in the preceding paragraph.

- The remaining Bonds will be distributed to the Pledge Custodian to be held pursuant to the Reimbursement Agreement.

When the distributions required pursuant to the preceding paragraphs have been completed, all Class A Certificates and Class B Certificates will be canceled.

#### *Optional Disposition Date*

If a Series is terminated upon exercise of the Optional Disposition Right with regard to the last outstanding Class A Certificates, the termination will be effected as described above under *The Certificates — Optional Disposition*.

#### **Failure to Surrender Certificates for Final Distribution**

If a Holder of Class A Certificates fails to tender its Certificates on or prior to the Payment Date on which the Series terminates, any funds not distributed to any Holder of Certificates on such Payment Date will be set aside and credited to the account of the applicable non-tendering Holder. If any such Certificates are not surrendered for cancellation within six months after the time specified in the notice of Series Expiration, Freddie Mac or any Paying Agent will mail a second notice to the remaining non-tendering Holders to surrender their Certificates for cancellation in order to receive the final distribution with respect to their Certificates. If any such Certificates are not surrendered for cancellation within one year after the second notice, Freddie Mac or any Paying Agent will, directly or through an agent, make a reasonable effort to contact the Holders of any Certificates remaining outstanding. Any amounts held as described above will not be invested. The costs and expenses of maintaining the funds and of contacting non-tendering Holders will be paid out of the assets remaining in such funds prior to any distribution to such Holders. If any such Certificates are not surrendered within two years after the second notice, Freddie Mac or any Paying Agent will thereafter hold such amounts for the benefit of such Holders, subject to any applicable escheat statutes. No interest will accrue or be payable to any Holder on any amount held as a result of the Holder's failure to surrender its Certificates for final payment in accordance with this paragraph.

## **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

### **GENERAL**

**Any discussion of the federal tax issues set forth in this Offering Circular and any Supplement was written to support the promotion and marketing of the transactions described herein. Such discussion was not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding any tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.**

The following discussion is a general summary of certain federal income tax consequences of the purchase, ownership and disposition of Class A Certificates issued as part of a Series. This summary is based on the Internal Revenue Code of 1986, as amended (the “**Code**”), as well as final, temporary and proposed Treasury regulations, administrative pronouncements of the Internal Revenue Service (the “**Service**”) and judicial decisions, all as in effect on the date hereof, and all of which are subject to change or possible differing interpretation. Legislative, judicial and administrative changes may occur, possibly

with retroactive effect, affecting the accuracy of the statements and conclusions set forth herein. No rulings will be sought or obtained from the Service regarding the classification of any Series as a partnership for federal income tax purposes (the “**Partnership**”) or any other federal income tax consequences described herein, and there can be no assurance that the Service will agree with the conclusions expressed herein. This summary is directed solely to Holders that are “U.S. persons,” within the meaning of the Code, that purchase Class A Certificates at their initial issuance for cash and that will hold the Class A Certificates as capital assets (generally, property held for investment). This summary does not purport to address all federal income tax matters that may be relevant to the particular circumstances of Holders, or to Holders that may be subject to special federal income tax rules (including financial institutions, regulated investment companies, broker/dealers and partnerships and other pass-through entities, persons holding Class A Certificates as a hedge or as a position in a “straddle,” “constructive sale” or other integrated transaction for federal income tax purposes). For purposes of this summary, references to “**Holders**” are to the beneficial owners of the Class A Certificates.

**Prospective investors in Class A Certificates should consult their own tax advisors concerning the tax consequences to them of the purchase, ownership and disposition of Class A Certificates under federal tax law, as well as under the tax law of any relevant state, local or foreign jurisdiction.**

## **TAX EXEMPTION OF THE UNDERLYING BONDS**

On the date of initial issuance and delivery of Bonds, Bond Counsel for each issue of Bonds rendered its opinion generally to the effect that, under existing laws, interest on the Bonds is excludable from gross income for federal income tax purposes (and is exempt from specified state and local income taxes if provided in the Supplement). In order to maintain the tax-exempt status of the Bonds, the issuer and certain other persons must comply with certain on-going requirements of federal income tax law, and the failure to satisfy any such requirements could cause interest on the Bonds to become taxable retroactively to the date of issuance. Shearman & Sterling LLP, special tax counsel to each Series (“**Special Tax Counsel**”), has not independently verified, and will not independently verify, the federal income tax exemption of interest on any issue of Bonds, and has assumed, without any inquiry, (i) the continuing correctness of the related opinion of Bond Counsel and (ii) that no events or circumstances have occurred since the original issuance of the Bonds that would adversely affect the exemption from federal income tax (and any applicable state and local income taxes) of interest on the Bonds.

In connection with the initial issuance of Class A Certificates of any Series, Special Tax Counsel will provide its opinion, to be delivered as a condition to such issuance, to the effect that, based upon certain assumptions and representations, including the assumption that interest derived from the direct ownership of the Bonds is excludable from gross income for federal income tax purposes, and subject to customary limitations and conditions and the discussion below under — *Taxation of Holders*, interest on the Bonds that is distributed to a Holder of the Class A Certificates will be excludable from the gross income of the Holder for federal income tax purposes.

## **TAXATION OF HOLDERS**

### **Classification as a Partnership**

With respect to each issuance of Class A Certificates of a Series, Special Tax Counsel will deliver its opinion, as of the applicable Date of Original Issue, to the effect that, for federal income tax purposes, (i) the Series will be classified as a Partnership (rather than an association taxable as a corporation), (ii) such Partnership, even if publicly traded, will not be taxable as a corporation under section 7704 of the

Code and (iii) each Holder of Class A Certificates will be treated as a partner in such Partnership. Such opinion will be based on certain representations and assumptions, including the assumption that there will be full compliance with all terms of the related Series Certificate Agreement and other transaction documents, and that all representations or certifications set forth in such documents or provided to Special Tax Counsel are accurate and complete, and will be subject to customary limitations and conditions. In rendering its opinion, Special Tax Counsel will rely upon its conclusions that (i) applicable Treasury regulations do not require the classification of each Series as an association (taxable as a corporation), (ii) the passive nature of the income from the Bonds will qualify the Series for an exemption from the Code section 7704 rule that publicly traded partnerships are taxable as corporations, and (iii) the Class A Certificates will not be treated as indebtedness of the related Series, Freddie Mac or the Holders of the Class B Certificates.

The opinion of Special Tax Counsel represents only its best legal judgment and, unlike a ruling obtained from the Service, has neither binding effect on the Service nor official status of any kind. There is no authority that addresses facts that are substantially similar to those involved in the issuance of Class A Certificates of a Series, so there can be no assurance that the Service or a court will agree with the opinion of Special Tax Counsel. If, contrary to the opinion of Special Tax Counsel, a Series were classified as an association taxable as a corporation, rather than as a partnership, distributions to Holders generally would be treated as taxable dividends, and the amount of funds available for distribution in respect of the Class A Certificates, and the after-tax yield to Holders of Class A Certificates, would be substantially reduced. Moreover, if the Class A Certificates were characterized as indebtedness (or, alternatively, if distributions thereon were classified as “guaranteed payments” by the Partnership), distributions on the Class A Certificates would be fully includable in gross income for federal income tax purposes, resulting in a substantial reduction in after-tax yield to the Holders of Class A Certificates.

Each Holder of Class A Certificates will acknowledge and agree (by its purchase of Class A Certificates) that the related Series will be treated for federal income tax purposes as a Partnership in which such Holder is a partner. No Holder of Class A Certificates or other person is authorized to elect under section 301.7701-3(c) of the Treasury regulations, or under any applicable state or local tax law, to have the related Series classified as an association (taxable as a corporation) for federal, state or local tax purposes. Furthermore, each Holder consents (by its purchase of Class A Certificates) to an election under Revenue Procedure 2003-84 (or any successor Revenue Procedure or other guidance issued by the Service) to account for items of Partnership taxable income, tax exempt income, gain, loss or deduction on the basis of a monthly closing of the books (the “**Monthly Closing Election**”), and if permitted by applicable law, an election under section 761 of the Code (the “**Section 761 Election**”) to exclude the related Series from the application of the partnership provisions of subchapter K of the Code, in each case, which may be filed at the discretion of Freddie Mac.

The remainder of this summary assumes that each Series will be treated as a Partnership that is not taxable as a corporation, and that the Class A Certificates will constitute equity interests in such Partnership for federal income tax purposes.

### **Partnership Reporting**

Very generally, as a partner in a Partnership for federal income tax purposes, a Holder of Class A Certificates will report on its own federal income tax return its allocable share of the taxable income, tax-exempt income, gain, loss and deduction of the Partnership. Based on the opinion of Special Tax Counsel discussed above, such Holder’s allocable share of tax-exempt interest on the Bonds will be excludable



from gross income for federal income tax purposes to the same extent as if the interest had been derived directly by the Holder. A Holder of Class A Certificates nevertheless could recognize taxable gain upon a sale, redemption or other disposition of the Class A Certificates or the underlying Bonds, or as discussed below, the receipt of distributions in excess of its tax basis in the Class A Certificates.

A Holder's adjusted tax basis in its Class A Certificates generally will equal the purchase price for such Class A Certificates, increased by the Holder's allocable share of items of Partnership income and gain (including tax-exempt income), and reduced, but not below zero, by the Holder's allocable share of items of Partnership loss and deduction, and by distributions received from the Partnership. Cash distributions to a Holder of Class A Certificates normally will not be taxable to the Holder; however, to the extent that the amount of the distribution exceeds the Holder's adjusted tax basis in the Class A Certificates, the Holder will recognize capital gain. Special rules will apply to distributions of Bonds or other property (other than cash) by the Partnership.

Revenue Procedure 2003-84, which became effective on November 5, 2003, generally allows Partnership taxable income, tax-exempt income, gain, loss or deduction to be determined on the basis of a closing of the books at the end of each month if the Partnership meets certain requirements and files a Monthly Closing Election with the Service in the prescribed manner, and all partners in the Partnership consent to the Monthly Closing Election. Assuming that a valid Monthly Closing Election is made, then the electing Partnership will close its books on the last day of each month (as if all of the partners had sold their interests in the Partnership on such day), and each partner in the Partnership will determine and take into account for federal income tax purposes its allocable share of the Partnership's items of taxable income, tax-exempt income, gain, loss or deduction for the month. Accordingly, a partner in the Partnership will be able to match its allocable share of Partnership taxable income, tax-exempt income, gain, loss and deduction for each month to the amounts actually distributed to the partner for such month.

In order to be eligible to make the Monthly Closing Election, a Partnership must, among other things, derive at least 95% of its gross income from interest on tax-exempt bonds, exempt-interest dividends paid by "regulated investment companies" (as defined in section 851 of the Code) and gains from the sale, redemption or other disposition of tax-exempt bonds or shares in regulated investment companies that pay exempt-interest dividends. If a Partnership fails to satisfy the 95% income requirement, or any other requirement of Revenue Procedure 2003-84, then the Monthly Closing Election will terminate and the Partnership will be unable to make another Monthly Closing Election without the consent of the Service. In the absence of the Monthly Closing Election, a partner in the Partnership may not be able to achieve the matching of income and distributions described above, and other adverse consequences could result to the partner.

Freddie Mac will advise the Holders of Class A Certificates (either in the applicable Supplement or by separate notice) as to whether a Monthly Closing Election will be made with respect to a particular Series. If Freddie Mac so elects on behalf of a Series, then the Sponsor and all Holders of Certificates of the Series (by their purchase of Certificates) will be deemed to have consented to the Monthly Closing Election. Additionally, Special Tax Counsel will deliver its opinion, as of the applicable Date of Original Issue, to the effect that the electing Series will meet the requirements for an effective Monthly Closing Election in accordance with Revenue Procedure 2003-84. There can be no assurance, however, that the Service will agree with the opinion of Special Tax Counsel, or that the requirements for the Monthly Closing Election (or their interpretation) will not change in a manner that precludes the Series from qualifying for continued use of the Monthly Closing Election. Holders of Class A Certificates should

consult with their own tax advisors regarding the required tax accounting under a Monthly Closing Election, and the implications of failing to qualify for a Monthly Closing Election.

### **Partnership Information Returns**

A partnership generally is required to file, on an annual basis, Form 1065 (U.S. Return of Partnership Income) with the Service, and to send information reports to each partner on Schedule K-1. However, Revenue Procedure 2003-84 states that these tax filing requirements can be eliminated for a partnership that has a valid Monthly Closing Election in effect for the relevant taxable year, provided that the partnership and its partners agree to comply, and in fact do comply, with the alternative reporting requirements set forth in Revenue Procedure 2003-84. If Freddie Mac makes the Monthly Closing Election, then the electing Series, the Sponsor and each Holder of Certificates (by their purchase of Certificates) will agree to comply with the alternative reporting requirements imposed by Revenue Procedure 2003-84.

Under Revenue Procedure 2003-84, the Partnership must make available, within 45 days of a request by the Service or a partner (or a beneficial owner or nominee of a beneficial owner), all information necessary to compute a partner's taxable income, tax-exempt income, gain, loss, deduction or credit (including the amount of interest that may be subject to the alternative minimum tax, as discussed below). Additionally, any person on whose behalf another person holds as a nominee an interest in the Partnership must notify the Partnership of its beneficial ownership status and provide the following information: (i) name, address and taxpayer identification number of both the beneficial owner and its nominee, and (ii) the name of the Partnership, its CUSIP number or other information sufficient to identify the partnership interest and the amount of the partnership interest. In the case of a group of regulated investment companies managed or advised by a common, or affiliated, manager or advisor (the "manager"), such beneficial ownership information may be collected, retained and provided to the Service upon demand by the manager, if the manager elects to do so and provides appropriate notice to the Partnership.

Holders of Class A Certificates (and beneficial owners and nominees) should consult their own tax advisors regarding the reporting requirements under Revenue Procedure 2003-84.

### **Section 761 Elections**

Freddie Mac may, in its discretion, file a Section 761 Election to exclude each Series from the application of all of the partnership provisions of subchapter K of the Code. The validity of a Section 761 Election for a Series is not clear under current federal income tax law, and in Revenue Procedure 2003-84, discussed above, the Service stated its position that a partnership investing primarily in tax-exempt bonds is not eligible for a Section 761 Election. Accordingly, no assurance can be made that a Section 761 Election would be respected.

If a valid Section 761 Election is made, then, among other things, the electing Series would not be subject to the tax return filing requirements otherwise applicable to partnerships under the Code, and each Holder of Class A Certificates generally would separately account for its allocable share of the profits and losses of the Series as if the assets of the Series were held directly by such Holder. Thus, there could be differences in the timing of income recognition by a Holder of Class A Certificates, as well as in other federal income tax aspects of such Holder's investment in the Class A Certificates, depending on whether or not a valid Section 761 Election is made. Prospective investors should consult their own tax

advisers regarding the effect of a Section 761 Election on an investment in the Class A Certificates, and the ability of the related Series to make the Section 761 Election.

Freddie Mac currently does not intend to file a Section 761 Election for any Series. In the event Freddie Mac decides at some future time to file a Section 761 Election for a Series, Holders of Class A Certificates will be informed either in the applicable Supplement or by a separate notice.

If a Section 761 Election is made for a Series and subsequently invalidated, the Service could assess interest and penalties, which would be the responsibility of the Sponsor under the related Series Certificate Agreement.

### **Taxable Dispositions of Class A Certificates**

Upon a sale or other taxable disposition of Class A Certificates, a Holder will recognize gain or loss equal to the difference between the amount realized on the disposition and the adjusted tax basis of the Class A Certificates. Such gain or loss generally will be capital gain or loss (subject to the discussion below under — *Discount and Premium*), and may be long-term or short-term depending on the facts and circumstances. Prospective investors should consult their own tax advisers with respect to the recognition, character and amount of any gain or loss.

### **Discount and Premium**

The purchase price paid by each Series for Bonds may be greater or less than the Bonds' stated redemption price at maturity (or, in the case of Bonds issued with original issue discount, the "revised issue price" thereof), in which case the Bonds will be considered to have amortizable bond premium or market discount, respectively. The market discount will be considered to be zero if it is less than a statutorily defined de minimis amount; the Supplement will identify any Bonds acquired at a market discount in excess of the applicable de minimis amount. Generally, any gain on the sale, redemption or other disposition of Bonds acquired at a market discount will be taxable as ordinary income, instead of capital gain, to the extent of the accrued market discount thereon. Amortizable bond premium on Bonds will be amortized over the remaining term thereof (or to an earlier call date if it produces greater annual amortization) using a constant yield method; the amortization will reduce the owner's tax basis for the Bond.

Under the related Series Certificate Agreement, any amortizable bond premium and any market discount on the Bonds at the time of acquisition by the related Series will be allocated, and will economically accrue, entirely to the Class B Certificates, and no market discount or amortizable bond premium will be allocated, or will economically accrue, to the Class A Certificates. Special Tax Counsel will deliver its opinion, as of the applicable Date of Original Issue, generally to the effect that such allocations will be respected for federal income tax purposes. Accordingly, in general, an initial Holder of Class A Certificates will recognize capital gain or loss, if any, upon the sale, redemption or other disposition of the Class A Certificates (or the Bonds of the related Series), and neither will be required to recognize a portion of any resulting gain as ordinary income in respect of accrued market discount, nor will be permitted to claim deductions for amortizable bond premium during the period of ownership of the Class A Certificates. Prospective investors should be aware, however, that there are no authorities addressing facts that are substantially similar to those involved in the issuance of Class A Certificates of a Series, so there can be no absolute assurance that the Service or a court will agree with the opinion of Special Tax Counsel and the conclusions expressed herein. If the Service were to successfully challenge the allocation in the related Series Certificate Agreement of market discount entirely to the Class B

Certificates, a Holder of Class A Certificates might recognize ordinary income upon the sale, redemption or other disposition of Bonds or, possibly, upon the sale, redemption or other disposition of Class A Certificates.

### **Tax Elections**

The Code provides for optional adjustments to the basis of partnership property upon distributions of partnership property to a partner (section 734 of the Code) and transfers of partnership interests (section 743 of the Code), provided that a partnership election has been made pursuant to section 754 of the Code (the “section 754 election”). The Series generally would be required to make adjustments to the tax basis of its assets in the case of (i) a distribution of an asset to a Holder where the tax basis of the asset would have been reduced by more than \$250,000 if the Series had made a section 754 election and (ii) a transfer of a Holder’s interest in the Series where the adjusted tax basis of the Series’ assets exceeds their fair market value by more than \$250,000. Although the Series would not be required to make adjustments to the tax basis of its assets in the case of transfer of a Holder’s interest in the Series if it qualifies as an “electing investment partnership,” the Series is not expected to so qualify.

## **ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS**

### **Alternative Minimum Tax**

A Holder of Class A Certificates is required to include as an item of tax preference, for purposes of the federal individual and corporate alternative minimum taxes, all tax-exempt interest on “specified private activity bonds.” Moreover, interest on Bonds which are not specified private activity bonds will be included in the calculation of “adjusted current earnings,” which is relevant to the federal corporate alternative minimum taxable income.

### **Disallowance of Interest and Other Expenses**

The interest expense of Holders for indebtedness incurred or continued (or deemed incurred or continued) to purchase or carry Class A Certificates will not be deductible for federal income tax purposes. Other expenses allocable to tax-exempt interest are not deductible for such purposes by individuals and other non-corporate Holders.

### **Collateral Tax Consequences**

Ownership of tax-exempt Bonds may result in collateral tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations engaged in business in the United States, certain subchapter S corporations with excess passive income, and individual recipients of Social Security or Railroad Retirement benefits. Prospective purchasers of Class A Certificates should contact their tax advisors as to the applicability of collateral tax consequences.

### **Future Legislation**

Various proposals have been, and in the future may be, introduced before Congress to restrict or eliminate the federal income tax exemption or to impose certain collateral tax consequences on the ownership of municipal obligations (such as the Bonds). In addition, various proposals have been made and bills introduced that would substantially alter the federal income tax base or the rate structure or both, which could affect the value of the Bonds. No prediction can be made regarding what additional

legislation, if any, may be proposed and enacted with respect to the tax-exempt status of interest on municipal obligations, nor can any prediction be made whether any such proposed legislation, if enacted, would apply to the Bonds or the Class A Certificates.

### **Substantial Users**

Section 147(a) of the Code generally provides that interest on tax-exempt private activity bonds will be subject to federal income tax during any period that the bonds are held by a “substantial user” of the facilities financed by the bonds or a related person. An initial Holder of Class A Certificates will acknowledge (by its purchase of Class A Certificates) that it is neither a substantial user nor a related person to a substantial user, within the meaning of section 147(a) of the Code.

### **STATE, LOCAL AND FOREIGN TAX CONSEQUENCES**

In connection with the initial issuance of Class A Certificates of each Series, Ballard Spahr LLP will provide its opinion, to be delivered as a condition to such issuance, to the effect that, based upon certain representations and assumptions, and subject to customary limitations and conditions, the Series Pool will be treated as a partnership for Virginia tax purposes and therefore will be exempt from Virginia income tax.

An investment in Class A Certificates may be affected by tax consequences arising under relevant state, local or foreign tax laws. Except as may be provided in the related Supplement, Special Tax Counsel expresses no opinion regarding whether a Holder’s distributive share of the interest on the Bonds will be exempt from any taxes (including income, franchise and intangibles taxes) imposed by any state or locality. Moreover, except as expressly set forth above and in the related Supplement, Special Tax Counsel expresses no opinion with respect to the applicability of foreign, state and local taxes to the Bonds, the related Series or the Class A Certificates, or other foreign, state or local considerations.

In some circumstances, the Series Certificate Agreement may include provisions (known as “**Partnership Factors**”) that are intended to allow the related Series to be classified as a partnership for relevant state income tax purposes. In particular, if the Partnership Factors are included in the Series Certificate Agreement, then the Sponsor would be required to maintain a minimum percentage of 1% in all items of taxable income, tax-exempt income, gain, loss and deduction of the Series, and a Sponsor Act of Bankruptcy would constitute a Mandatory Tender Event. The Supplement relating to each Series will specify whether or not the Partnership Factors will apply.

Prospective investors should consult their tax advisors regarding the state, local and foreign tax consequences of the acquisition, ownership and disposition of Class A Certificates, including the potential implications of the federal income tax classification of each Series as a Partnership and the Holders as partners.

### **LEGAL INVESTMENT CONSIDERATIONS**

You should consult your own legal advisors to determine whether Class A Certificates are legal investments for you and whether you can use Class A Certificates as collateral for borrowings. In addition, financial institutions should consult their legal advisors or regulators to determine the appropriate treatment of Class A Certificates under any applicable risk-based capital or similar rules.

If you are subject to legal investment laws and regulations or to review by regulatory authorities, you may be subject to restrictions on investing in some types of Class A Certificates or in Class A Certificates

generally. Institutions regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Treasury Department or any other federal or state agency with similar authority should review applicable regulations, policy statements and guidelines before purchasing or pledging Class A Certificates.

### **DISTRIBUTION ARRANGEMENTS**

For each series of Class A Certificates, Freddie Mac will enter into a purchase or placement agreement and remarketing agreement with one or more underwriters and/or remarketing agents, who will offer the Class A Certificates of that Series as described in the related Supplement. Underwriters, remarketing agents and their affiliates may engage in other transactions with and perform services for Freddie Mac in the ordinary course of business. Freddie Mac, the underwriters, remarketing agents, or other parties may receive compensation, trading gain or other benefits in connection with such transactions.

Freddie Mac may retain or repurchase Class A Certificates for its own portfolio, and may tender or re-offer such Class A Certificates from time to time. These transactions may affect the Reset Rate of Class A Certificates. The Remarketing Agent for a Series of Class A Certificates may buy, sell and make a market in Class A Certificates, but is not obligated to do so in all cases. The secondary market for Class A Certificates may be limited.