

## Freddie Mac Reference Notes<sup>®</sup> Auction Procedures

**Sec. 1 Applicability.** Unless otherwise specified in an applicable offering announcement, the provisions of the Freddie Mac Reference Note Auction Procedures (the “Procedures”), as in effect from time to time, will govern the sale and issuance of all auctioned Freddie Mac Reference Notes. The effective date of these revised Procedures is October 14, 2011.

### Sec. 2 Definitions.

For purposes of the Procedures, unless the context indicates otherwise, capitalized terms have the meanings assigned herein, or in the Freddie Mac Medium and Long Term Debt Securities Master Dealer Agreement (the “Master Dealer Agreement”), and Auction Addendum thereto (the “Auction Addendum”):

Auction means a bidding process by which Freddie Mac sells securities to participants in the auctions.

Auction results announcement means the announcement by Freddie Mac of the results of a particular auction.

Bid means an offer to purchase a stated par amount of securities, either competitively or noncompetitively, in an auction. An offer to purchase a stated par amount of securities submitted by a dealer to fulfill a guarantee to sell a specified amount of securities at an agreed-upon price or a price fixed in terms of an agreed-upon standard is a bid of the dealer and not a bid of a customer.

Bid-to-cover ratio means the total par amount of securities bid for divided by the total par amount of securities awarded.

Bidder, as further defined in Section 22, means a person or an entity that bids either directly or through a dealer. In some cases, two or more persons or entities are considered to be one bidder based on their relationship or their actions in participating in an auction.

Book-entry security means a security the issuance and maintenance of which are represented by an accounting entry or electronic record and not by a physical certificate.

Business day means any day other than a Saturday, Sunday, or other day on which the Federal Reserve Banks or Freddie Mac are not open for business.

Competitive bid means a bid to purchase a stated par amount of securities at a specified yield.

CUSIP means Committee on Uniform Securities Identification Procedures.

CUSIP number means the unique identifying number assigned to each separate security issue and each separate principal or interest component. CUSIP numbers are provided by the CUSIP Service Bureau of Standard & Poor's Corporation.

Customer means a bidder on whose behalf a dealer has been directed to submit or forward a competitive or noncompetitive bid for a specified amount of securities in a specific auction. Only dealers may submit or forward bids for customers, whether directly or through an intermediary.

Dealer means the person or entity submitting bids directly to Freddie Mac for its own account, for the account of others, or both. Dealers must be designated by Freddie Mac in order to participate in the auctions. Dealers must execute the Freddie Mac Medium and Long Term Debt Securities Master Dealer Agreement (the “Master Dealer Agreement”) and the Auction Addendum (the “Auction Addendum”) thereto in order to participate directly in the auctions.

Federal Reserve Bank means a Federal Reserve Bank or a branch of a Federal Reserve Bank.

Interest rate means the annual percentage rate of interest paid on the par amount of a specific issue of securities.

Intermediary means an entity that forwards bids for customers to a dealer and not directly to the auction.

Investment adviser means any person or entity that has investment discretion for the bids or positions of a person or entity not considered part of the investment adviser under the bidder definitions in Section 22 of these Procedures. Investment discretion includes determining what, how many, and when securities shall be purchased or sold. A person or entity managing investments for itself is not considered an investment adviser for such investments.

Issue date means the date specified in the offering announcement on which a security is issued as an obligation of Freddie Mac, and from which interest normally begins to accrue.

Maturity date means the date specified in the offering announcement on which a security becomes due and payable, and ceases to earn interest.

Noncompetitive bid means a bid to purchase securities at the stop rate for awards to competitive bidders.

Offering announcement means the announcement by Freddie Mac of the terms for a particular auction.

Par means a price of 100. (See Section 23.)

Par amount means the stated value of a security at original issuance.

Person means a natural person.

Price means the price of a security as calculated using the formula in Section 23.

Public offering means the par amount of securities offered for purchase in an auction.

Security means a Freddie Mac Reference Note. Security includes an interest and/or principal component of a security.

Settlement means final and complete payment for securities awarded in an auction.

Settlement amount means the par amount of securities awarded less any discount amount and/or any accrued interest.

Stop Rate means the highest yield at which competitive bids are accepted for awards in an auction.

Tender means the computer or other transmission submitted to Freddie Mac by which a bidder bids for securities.

Yield, also referred to as “yield to maturity,” means the annualized rate of return to maturity on a security expressed as a percentage.

### **Sec. 3. Auction procedures; dealer designation.**

#### **(a) Auction procedures.**

Freddie Mac reserves the right to change the Procedures, from time to time, in its sole discretion, without prior notice. Freddie Mac will announce, or otherwise communicate any such change to the Procedures at the time any such change takes effect.

#### **(b) Dealer designation.**

Freddie Mac will designate the dealers who may participate directly in the auctions. Before a dealer may be so designated by Freddie Mac, the dealer must execute the Master Dealer Agreement and the Auction Addendum. Freddie Mac’s decision with respect to any dealer’s designation shall be made solely in Freddie Mac’s own discretion and the decision to designate a dealer may be revoked at any time prior to an auction, without prior notice to such dealer. By accepting Freddie Mac’s designation for participation in the auctions, a dealer represents that it will comply with and be bound by the Procedures, as in effect from time to time.

### **Sec. 4. Description of securities.**

Securities offered pursuant to these Procedures are described more fully in the Freddie Mac Global Debt Facility Offering Circular dated February 25, 2011, as it may be amended from time to time, or successors thereto (the “Offering Circular”), and any applicable Pricing Supplement and Supplemental Statement. The securities are offered exclusively in book-entry form and are obligations of Freddie Mac only. The securities, including any return of discount, are not guaranteed by and are not debts or obligations of the United States or any federal agency or instrumentality other than Freddie Mac. The securities are subject to the terms and conditions set forth in these Procedures, the Offering Circular, the Global Debt Facility Agreement dated as of February 25, 2011 (the “Global Debt Facility Agreement”), all as amended or superseded from time to time, the Pricing Supplements, Supplemental Statements and the offering announcements, all to the extent applicable.

### **Sec. 5. Offering announcement.**

Freddie Mac will provide public notice of the auction of securities by issuing an offering announcement. The offering announcement will list the specifics of each offering, e.g., offering amount, term, CUSIP number, issue and maturity dates and limitations for bids and awards. To the extent that the provisions of

an offering announcement are inconsistent with the provisions of these Procedures, the Offering Circular or the Global Debt Facility Agreement, the provisions of the offering announcement will control. Accordingly, bidders should read the applicable offering announcement in conjunction with these Procedures, the Offering Circular and the Global Debt Facility Agreement. Freddie Mac reserves the right to change any details given in the offering announcement up until the time of the applicable auction. Freddie Mac will publicly announce any such change.

## **Sec. 6. Submission of bids.**

### **(a) General.**

(1) Except as otherwise provided, tenders must be submitted in an approved format. A dealer's bid for its own account must be identified as such. See Sec. 22 for information on obtaining separate bidder identification.

(2) Bids must be received by Freddie Mac prior to the closing time specified in the offering announcement. Bids not received timely will not be recognized in the auction. Bids for securities are binding on the bidder as of the closing time specified in the offering announcement.

(3) Tenders of offers to purchase securities in an auction may be submitted only by dealers designated by Freddie Mac.

### **(b) Auction operation.**

Freddie Mac anticipates that each auction will take place through the Freddie Mac computer-based auction system. However, under certain circumstances, Freddie Mac may conduct an auction by telephone, facsimile transmission, or other means.

### **(c) Bid submissions.**

(1) For bids submitted by computer, a dealer must comply with computer communications and electronic access standards and requirements for Freddie Mac auctions. Incomplete transmissions that do not comply with such standards and requirements may be accepted or rejected at the option of Freddie Mac.

(2) All bids submitted by computer are binding to the same extent as if they had been tendered by other means.

(3) Bids submitted by computer must be received by the applicable closing time; the auction system's computer time stamp will establish the time of receipt.

(4) A dealer bears sole risk for any disruption or failure in the operation of its own computer, any electronic-based communications facilities, or any communications lines between such dealer and Freddie Mac.

(5) A dealer is responsible for tenders submitted using computer equipment on its premises, whether or not such tenders are authorized.

(6) Neither any agent of Freddie Mac assisting Freddie Mac with the auction nor Freddie Mac shall be, in any way, responsible for any delays, errors, or omissions in the submission of tenders.

(7) Any information contained in a tender, once it has been submitted by a dealer, is available for review by Freddie Mac, but not for review by other dealers. Freddie Mac, in its sole discretion, may reject any offer to purchase received in an auction. Freddie Mac, in its sole discretion, prior to deciding final auction results, may contact a dealer in order to ask one or more questions about the dealer's tender and, in its sole discretion, may accept instructions from a dealer to make corrections to such tender. Any such contact by Freddie Mac regarding questions and instructions about a tender will take place on a recorded telephone line.

**(d) Allocation of Responsibilities.**

(1) Freddie Mac shall not, in any way, be responsible for any disruptions to any electronic communications system used during an auction by Freddie Mac or a dealer, including, but not limited to, the Internet and/or telephone services and equipment.

(2) Freddie Mac shall not, in any way, be responsible for any lack of synchronization between the clock used by Freddie Mac in an auction and any clock used by a dealer, either in the dealer's office locations or in the dealer's electronic equipment with which it submits a tender in an auction.

(3) Each dealer must retain a written record of the details of each bid submitted in each auction, including, but not limited to, a customer's or intermediary's name, the type of bid, the amount, the amount and prices of the securities awarded, other information which may relate to a customer's or intermediary's compliance with the Procedures, and each trade ticket written by the dealer in connection with securities awarded in an auction (each such trade ticket shall indicate that it was written in connection with awarded securities or otherwise be readily identifiable as having been written in connection with awarded securities), for a period of two years, on the dealer's premises, and must provide such written record and such trade tickets to Freddie Mac upon request. Any such trade tickets or written records may be in a paper or electronic format.

**Sec. 7. Noncompetitive and competitive bidding.**

**(a) General.**

All bids must state the par amount of securities bid for and must equal or exceed the minimum bid amount stated in the offering announcement. Bids that exceed the minimum bid amount must be in the multiple stated in the offering announcement. A bidder must specify whether an offer to purchase is a competitive or noncompetitive bid.

**(b) Noncompetitive.**

(1) Any person or entity that is registered with the U.S. Securities and Exchange Commission as a broker-dealer under the Securities Exchange Act of 1934 (15 U.S.C. Sec. 78o and Sec. 78o-5, as they may be amended from time to time), may not submit a noncompetitive bid for its own account, either directly or through an intermediary.

(2) Maximum bid. A bidder may not bid noncompetitively for more than the maximum bid amount specified in the offering announcement.

(3) Maximum award. The offering announcement for an auction will specify a maximum total amount for noncompetitive awards. The amount of any individual noncompetitive award may be reduced by the bidder's net long position. (See Section 15(a) for award limitations.)

**(c) Competitive.**

(1) A competitive bid must show the yield for each bid, expressed with three decimals, e.g., 6.170. Fractions may not be used.

(2) Maximum bid. Any competitive bid at a single yield may not exceed the maximum bid amount specified in the offering announcement.

(3) Maximum award. The offering announcement for an auction will specify a maximum award amount for competitive bids. The amount of any individual competitive award may be reduced by the bidder's net long position and the amount of individual and total competitive awards may be reduced by awards made to noncompetitive bidders. (See Section 15(b) for award limitations.)

**Sec. 8. Net long position.**

**(a) Determination of net long position.**

The net long position must be determined as of no earlier than one-half hour prior to the closing time for receipt of bids. A net long position includes the par amount of:

(1) Cash positions in previously issued securities with same CUSIP as the security being auctioned (including any principal components thereof):

(2) When-issued positions in the security being auctioned (including any principal components thereof),

(3) Futures contracts that require delivery of the security being auctioned or previously issued securities with the same CUSIP (but not futures contracts for which the security is one of several securities that may be delivered, and not futures contracts that are cash-settled), and

(4) Forward contracts that require delivery of the security being auctioned or previously issued securities with the same CUSIP; and

**(b) Reporting net long positions.**

(1) For all newly issued securities, a bidder must report its net long position when the total of all of its bids in an auction plus the bidder's net long position exceeds the maximum bid amount set forth in the Offering Announcement, or such other net long position reporting threshold amount as Freddie Mac may announce.

(2) For any reopening of a previously issued security, a bidder must report any amount by which its net long position exceeds 50% of the principal amount of previously issued securities with the same CUSIP as the security being auctioned.

(3) If the bidder either has no position or has a net short position or the total of all of its bids and net long position does not exceed the net long position reporting threshold amounts set forth in Section 8(b)(1) or (2), the net long position field in the bid report may be left blank.

(4) In cases where a bidder that is required to report the amount of its net long position has more than one bid, the bidder's total net long position should be reported in connection with only one bid.

(5) A bidder that is a customer must report its reportable net long position through only one dealer. (See Sec. 9(c).)

(6) The net long position of a bidder should be rounded up to the nearest \$1 million for purposes of the report.

### **Sec. 9. Submitting bids for customers.**

Dealers may submit bids for their own account, for their customers, or for customers of intermediaries, subject to the requirements set out in paragraphs (a), (b), and (c) of this section.

#### **(a) Payment.**

By submitting a bid on behalf of its customer or a customer of any intermediary, a dealer agrees to remit payment for securities awarded as a result of such bid.

#### **(b) Customer and intermediary names.**

(1) A bid submitted on behalf of a dealer's customer must identify the customer. A bid submitted on behalf of the customer of an intermediary must identify the intermediary forwarding the bid to the dealer. See Sec. 9(b)(3)-(5) on obtaining the necessary identification before an auction.

(2) Any intermediary in the chain between a customer and a dealer submitting the customer's bid in an auction (i) is responsible for retaining a record of the name of the customer (if such customer is the customer of the intermediary) or the intermediary forwarding such customer's bid to it and (ii) agrees that it will provide such name to Freddie Mac upon request.

(3) Freddie Mac may, upon request, preassign identification for use in auctions to a customer or an intermediary based on information supplied by such customer or intermediary or supplied by a dealer.

(4) Requests for customer or intermediary pre-identification should be received by Freddie Mac at least two business days before an auction. Whether Freddie Mac assigns identification to a customer or intermediary is solely at Freddie Mac's discretion. Freddie Mac will make every reasonable effort to assign identification, if requested, prior to an auction, but cannot guarantee that an identification will be assigned prior to the auction.

(5) Information relating to customers and intermediaries supplied to Freddie Mac will be kept confidential and will only be used in connection with administering the auction.

See Sec. 22 for information on obtaining separate bidder identification.

#### **(c) Net long position of customers.**

(1) A dealer or intermediary, when submitting or forwarding a bid equal to or more than the applicable amount specified in the offering announcement for its customer, must inform that customer of the customer's net long position reporting obligation as described in Sec. 8.

(2) A dealer or intermediary, when submitting or forwarding a bid for a customer, must report the net long position amount if such amount is provided by the customer.

(3) If personnel of a dealer or intermediary who are directly involved in receiving or forwarding a customer's bid know that the position information provided by a customer is incorrect, the customer's bid shall not be submitted or forwarded by the dealer or intermediary.

## **Sec. 10. Bidding by investment advisers.**

### **(a) General.**

Where bids of a person or entity are controlled by an investment adviser, such bids must be entered in the name of the investment adviser and the investment adviser will be considered the bidder for such bids.

### **(b) Noncompetitive and competitive bidding.**

An investment adviser is subject to the noncompetitive and competitive bidding restrictions and award limitations contained in these Procedures.

### **(c) Reporting net long positions.**

In calculating the amount of its bids and positions for purposes of the net long position reporting requirement found in Sec. 8, the investment adviser must include all bids and positions controlled by the investment adviser.

### **(d) Certifications.**

By bidding for a controlled account, an investment adviser is deemed to have certified that it is in compliance with and bound by these Procedures and the offering announcement governing the sale and issue of the security. Further, the investment adviser is deemed to have certified that the information provided to a dealer or intermediary with regard to bids for controlled accounts is accurate and complete.

## **Sec. 11. Certifications.**

### **(a) Dealers.**

By submitting a bid, a dealer is deemed to have certified that it is in compliance with and bound by these Procedures and the offering announcement governing the sale and issue of the security. Further, the dealer is deemed to have certified that the information provided with regard to bids for its own account is accurate and complete, and that the information provided with regard to bids for customers accurately and completely reflects information provided to it by its customers or intermediaries.

### **(b) Intermediaries.**

By forwarding a bid, an intermediary is deemed to have certified that it is in compliance with and bound by these Procedures and the offering announcement governing the sale and issue of the security. Further, the intermediary is deemed to have certified that the information provided to a dealer or other intermediary with regard to bids for its own account is accurate and complete, and that the information provided to a dealer or other intermediary with regard to bids for customers accurately and completely reflects information provided to it by its customers or intermediaries.

**(c) Customers.**

By bidding for a security, a customer is deemed to have certified that it is in compliance with and bound by these Procedures and the offering announcement governing the sale and issue of the security and that the information it provided to the dealer or intermediary in connection with the bid is accurate and complete.

**Sec. 12. Responsibility for payment.**

A bidder agrees to pay the settlement amount for any securities awarded to it in the auction. If the bidder is not a dealer, then such bidder shall remit the settlement amount to the dealer, or to the applicable intermediary, and each intermediary in the chain between a bidder and a submitting dealer shall be responsible for forwarding the settlement amount. (See Sec. 18.)

**Sec. 13. Determination of auction awards.**

**(a) Determining the amount of accepted competitive bids.**

(1) Accepting bids. Determinations of awards in auctions are made by Freddie Mac after the closing time for receipt of bids. In determining auction awards, Freddie Mac first accepts in full all noncompetitive bids received by the closing time specified in the offering announcement, subject to applicable award limitations. If the aggregate amount of such noncompetitive bids exceeds the maximum amount for total noncompetitive auction awards specified in the applicable offering announcement, then awards in respect of such noncompetitive bids shall be prorated and each award shall be rounded up to the nearest \$1,000. Then competitive bids are accepted, subject to applicable award limitations, starting with those at the lowest yields through successively higher yields, up to the amount required to meet the public offering. Bids at the stop rate will be prorated (as described in paragraph (a)(2) of this Section), if necessary.

(2) Accepting bids at the stop rate. When the total amount of bids at the stop rate exceeds the amount of the public offering remaining after acceptance of noncompetitive bids and competitive bids at the lower yields, a percentage of the bids received at the stop rate will be awarded. This proration is performed for the purpose of awarding a par amount of securities close to the public offering amount. The percentage is derived by dividing the remaining par amount needed to fill the public offering by the par amount of the bids recognized at the stop rate.

**(b) Determining the interest rate for new security issues.**

The interest rate established as a result of the auction may be rounded down, if necessary, to the nearest 1/8 of one percent increment. The interest rate established produces the price closest to, but not above, par when the security and the interest rate are evaluated at the yield awarded to successful competitive bidders.

**(c) Determining purchase prices for awarded securities.**

Price calculations will be rounded to six decimal places on the basis of price per hundred, e.g., 99.954321. The price of securities awarded to both competitive and noncompetitive bidders is the price equivalent to the highest yield at which bids were accepted. (See Section 23.)

**Sec. 14. Proration of awards.**

**(a) Awards to dealers.**

In auctions where bids at the stop rate are prorated under Sec. 13(a)(2) of these Procedures, Freddie Mac will prorate awards for dealers at the percentage announced. For example, if 80% is the announced percentage at the stop rate, then each bid at that rate shall be awarded 80% of the amount bid. Hence, a bid for \$100,000 at the stop rate would be awarded \$80,000. In all cases, awards will be for, at least, the minimum denomination, and awards must be in an appropriate minimum denomination. Awards at the stop rate are adjusted upwards, if necessary, to the nearest \$1,000.

**(b) Awards to customers.**

In auctions where bids at the stop rate are prorated under Sec. 13(a)(2), dealers and intermediaries are responsible for prorating awards for their customers at the same percentage as that announced by Freddie Mac. For example, if 80% is the announced percentage at the highest yield, then each customer bid at that rate or yield shall be awarded 80%. The same prorating rules apply to customers as apply to dealers.

**Sec. 15. Limitation on auction awards.**

**(a) Awards to noncompetitive bidders.**

The maximum award that will be made to any noncompetitive bidder will be the amount specified in the offering announcement as the maximum noncompetitive award amount, less any amount by which the bidder's net long position as reportable under Sec. 8 exceeds the amount specified in the offering announcement as the maximum award amount. The maximum total award that will be made to all noncompetitive bidders in an auction will be the amount specified in the offering announcement as the maximum for total noncompetitive auction awards.

**(b) Awards to competitive bidders.**

The maximum award that will be made to any competitive bidder will be the amount specified in the offering announcement as the maximum competitive award amount, less any amount awarded to the bidder for noncompetitive bids and less the bidder's net long position as reportable under Sec. 8.

**Sec. 16. Announcing auction results.**

After the conclusion of the auction, Freddie Mac will publish an auction results announcement through a press or other release. The release will include such information as:

- (i) The stop rate;
- (ii) The total amount of securities awarded in the auction;

- (iii) The proration percentage;
- (iv) The interest rate for the security;
- (v) A breakdown of the amounts of noncompetitive and competitive bids accepted;
- (vi) The minimum notional par amount required to strip the security;
- (vii) The bid-to-cover ratio; and
- (viii) other information that Freddie Mac may decide to include.

**Sec. 17. Notice of awards; confirmations.**

**(a) Notice of awards.**

(1) Confirmation by dealers. Dealers must confirm with Freddie Mac the amounts of securities purchased in an auction.

(2) Notice to clearing corporation. Notice of the awards also will be provided by Freddie Mac to the clearing corporation that is a party to the applicable delivery and payment agreement.

**(b) Confirmation of award to customer.**

A dealer submitting bids for customers is responsible for notifying its customers and intermediaries that forwarded bids to it of the awards. Similarly, an intermediary is responsible for notifying its customers and any intermediaries that forwarded bids to it of the awards.

**(c) Customer confirmation.**

Any customer awarded a par amount of 50% or more of the securities offered in an auction may be contacted by Freddie Mac to confirm its bid and reportable net long position.

**Sec. 18. Payment for awarded securities.**

Payment for securities is to be accomplished by the issue date. The payment amount for awarded securities will be the settlement amount as defined in Section 2. (See formula in Section 23.)

**Sec. 19. Reservation of rights.**

**(a) Bids.**

Freddie Mac reserves the right to accept or reject or refuse to recognize any or all bids or tenders submitted under these Procedures. Freddie Mac also reserves the right to award more or less securities than the amount of securities specified in the offering announcement. Freddie Mac further reserves the right to waive any provision or provisions of these Procedures for any or all bidders or dealers. Decisions of Freddie Mac under this section shall be final.

**(b) Auctions.**

At any time prior to an auction, Freddie Mac may determine that it shall have become impracticable, in its judgment, to hold the auction as a result of one or more events or circumstances, including, but not limited to (i) the declaration of a banking moratorium by the authorities of the United States or the State of New York or (ii) a change, or any development involving a prospective change, in or affecting national or international financial, economic, political or other conditions, or exchange rates or exchange controls. If Freddie Mac makes such a determination, it may suspend, delay or cancel the auction. Freddie Mac shall make any such determination solely in its own discretion. Any such determination, as well as any suspension, delay or cancellation of an auction, will be immediately publicly announced.

#### **Sec. 20. Remedies.**

When a person or an entity fails to comply with the requirements of these Procedures, Freddie Mac will consider the circumstances of such failure and determine an appropriate remedy. Such remedy may include prohibiting the person or entity from participating in future auctions for its own account, for the account of others, or both.

#### **Sec. 21. Reservations as to terms of offerings.**

Freddie Mac reserves the right to supplement or amend provisions of these Procedures. Freddie Mac further reserves the right to modify the terms and conditions of new securities and to depart from the customary pattern of securities offerings at any time. Public notice of any such changes will be provided.

#### **Sec. 22. Bidder definitions.**

For the purpose of these Procedures, the definitions set forth in this section describe all of the categories of bidders eligible to bid in Freddie Mac auctions. These definitions are to be used by persons and entities in determining whether they are considered one bidder or more than one bidder for the purpose of bidding in auctions and for the purpose of complying with the requirements of these Procedures. Notwithstanding these definitions, any persons or entities that intentionally act together with respect to bidding in a Freddie Mac auction are considered, collectively, to be one bidder.

The following definitions will be used by Freddie Mac in applying competitive and noncompetitive award limitations and related requirements, as described in these Procedures:

##### **(a) Corporation.**

A corporation and all affiliates, whether persons, partnerships, or other entities, hereinafter referred to as a corporate structure, are considered, collectively, to be one bidder.

An affiliate is any: entity that is more than 50% owned, directly or indirectly, by the corporation; entity that is more than 50% owned, directly or indirectly, by any other affiliate of the corporation; person or entity that owns, directly or indirectly, more than 50% of the corporation; person or entity that owns, directly or indirectly, more than 50% of any other affiliate of the corporation; or entity, a majority of whose board of directors or a majority of whose general partners are directors or officers of the corporation or of any affiliate of the corporation.

For the purpose of these Procedures, a business trust, such as a Massachusetts business trust or a Delaware business trust, is considered to be a corporation.

Under certain circumstances, one or more major organizational components (e.g., the parent or a subsidiary) in a corporate structure, either separately or together with one or more other organizational components in the corporate structure, may be identified as a bidder separate from the larger corporate structure. All of the following criteria must be met for such component or components to qualify for identification as a separate bidder:

(1) Such component or components must be prohibited by law or regulation from exchanging, or must have established written internal procedures (i.e., Chinese walls) designed to prevent the exchange of, information related to bidding in Freddie Mac auctions with any other component in the corporate structure;

(2) Such component or components must not be created for the purpose of circumventing Freddie Mac's bidding and award limitations;

(3) Decisions related to purchasing Freddie Mac securities at auction and participation in specific auctions must be made by employees of such component or components. Employees of such component or components that make decisions to purchase or dispose of Freddie Mac securities must not perform the same function for other components within the corporate structure; and

(4) The records of such component or components related to the bidding for, acquisition of, and disposition of Freddie Mac securities must be maintained by such component or components. Those records must be identifiable -- separate and apart from similar records for other components within the corporate structure.

To obtain identification as a separate bidder, each component or group of components must request such identification from Freddie Mac, provide a description of the component or group and its position within the corporate structure, and provide either (i) a copy of any current certificate that such entity may have provided to the U.S. Treasury Department regarding such entity's status as a separate bidder under the regulations governing sale and issue of marketable U.S. Treasury obligations and a representation that the U.S. Treasury Department has granted such entity status as a separate bidder or (ii) the following certification:

[Name of the bidder] hereby certifies that to the best of its knowledge and belief it meets the criteria for a separate bidder as described in this Section. The above-named bidder also certifies that it has established written policies or procedures, including ongoing compliance monitoring processes, that are designed to prevent the component or group of components from:

(i) Exchanging any of the following information with any other part of the corporate structure: (a) Yields or rates at which it plans to bid; (b) amounts of securities for which it plans to bid; (c) positions that it holds or plans to acquire in a security being auctioned; and (d) investment strategies that it plans to follow regarding the security being auctioned, or

(ii) In any way intentionally acting together with any other part of the corporate structure with respect to formulating or entering bids in a Freddie Mac auction.

The above-named bidder agrees that it will promptly notify Freddie Mac in writing when any of the information provided to obtain separate bidder identification changes or when this certification is no longer valid.

**(b) Partnership.**

A partnership for which the Internal Revenue Service has assigned a tax-identification number; general partners acting on behalf of the partnership; and all affiliates, whether persons, corporations, or other entities; hereinafter referred to as a partnership structure, are considered, collectively, to be one bidder. A partnership structure that contains one or more corporations is considered one bidder under either this "partnership" category or the "corporation" category, but not both.

An affiliate is any: entity that is more than 50% owned, directly or indirectly, by the partnership; entity that is more than 50% owned, directly or indirectly, by any other affiliate of the partnership; person or entity that owns, directly or indirectly, more than 50% of the partnership; person or entity that owns, directly or indirectly, more than 50% of any other affiliate of the partnership; or entity, a majority of whose general partners or a majority of whose board of directors are general partners or directors of the partnership or of any affiliate of the partnership.

Under certain circumstances, one or more major organizational components (e.g., the partnership or a subsidiary) in a partnership structure, either separately or together with one or more other organizational components in the partnership structure, may be identified as a bidder separate from the larger partnership structure. All of the following criteria must be met for such component or components to qualify for identification as a separate bidder:

(1) Such component or components must be prohibited by law or regulation from exchanging, or must have established written internal procedures (i.e., Chinese walls) designed to prevent the exchange of, information related to bidding in Freddie Mac auctions with any other component in the partnership structure;

(2) Such component or components must not be created for the purpose of circumventing Freddie Mac's bidding and award limitations;

(3) Decisions related to purchasing Freddie Mac securities at auction and participation in specific auctions must be made by employees of such component or components. Employees of such component or components that make decisions to purchase or dispose of Freddie Mac securities must not perform the same function for other components within the partnership structure; and

(4) The records of such component or components related to the bidding for, acquisition of, and disposition of Freddie Mac securities must be maintained by such component or components. Those records must be identifiable -- separate and apart from similar records for other components within the partnership structure.

To obtain identification as a separate bidder, each component or group of components must request such identification from Freddie Mac, provide a description of the component or group and its position within the partnership structure, and provide either (i) a copy of any current certificate that such entity may have provided to the U.S. Treasury Department regarding such entity's status as a separate bidder under the regulations governing sale and issue of marketable U.S. Treasury obligations and a representation that the U.S. Treasury Department has granted such entity status as a separate bidder or (ii) the following certification:

[Name of the bidder] hereby certifies that to the best of its knowledge and belief it meets the criteria for a separate bidder as described in this Section. The above-named bidder also certifies that it has established written policies or procedures, including ongoing compliance monitoring processes, that are designed to prevent the component or group of components from:

(i) Exchanging any of the following information with any other part of the partnership structure:  
(a) Yields or rates at which it plans to bid; (b) amounts of securities for which it plans to bid; (c) positions that it holds or plans to acquire in a security being auctioned; and (d) investment strategies that it plans to follow regarding the security being auctioned, or

(ii) In any way intentionally acting together with any other part of the partnership structure with respect to formulating or entering bids in a Freddie Mac auction.

The above-named bidder agrees that it will promptly notify Freddie Mac in writing when any of the information provided to obtain separate bidder identification changes or when this certification is no longer valid.

**(c) Government-related entity.**

(1) The government of each of the 50 states and of the District of Columbia is considered to be one bidder.

(2) A unit of local government, including any county, city, municipality, or township, or other unit of general government, as defined by the U.S. Bureau of the Census for statistical purposes, is considered to be one bidder.

(3) The government of a commonwealth, territory, or possession of the United States is considered to be one bidder.

(4) A governmental entity, body, or corporation established under Federal, State, or local law is considered to be one bidder.

(5) A foreign central bank, the government of a foreign state, or an international organization in which the United States holds membership is considered to be one bidder.

An investment, reserve, or other fund of one of the above government-related entities, not otherwise meeting the definition of the "trust or other fiduciary estate" category, is considered part of that entity and not a separate bidder unless applicable law requires that the investments of such fund be made separately.

**(d) Trust or other fiduciary estate.**

A legal entity created under a valid trust instrument, court order, or other legal authority that designates a trustee or fiduciary to act for the benefit of a named beneficiary may be considered a bidder. To be considered a bidder, such legal entity must be able to be identified by the name or title of the trustee or fiduciary; specific reference to the trust instrument, court order, or legal authority under which the trustee or fiduciary is acting; and the unique U.S. Internal Revenue Service -assigned employer identification number (not social security number) for the entity. Further, it must be the trustee or fiduciary who makes the decisions related to participation in auctions on behalf of the trust or fiduciary estate.

**(e) Individual.**

A person, whether acting in his or her individual capacity, as a sole proprietor, for any entity not otherwise defined as a bidder, or in more than one such capacity, is considered to be one bidder. When a person meets the definition of an affiliate within a corporate or partnership structure as defined above,

such person may only be considered a bidder in this "individual" category when the bidder of which he or she is a part is not bidding in the same auction. A person acting in an official capacity as an employee or other representative of a bidder defined in any other category is not considered an "individual" bidder when acting in such capacity. A person, his or her spouse, and any children under the age of 21 having a common household are considered, collectively, to be one "individual" bidder.

**(f) Other bidder.**

A bidder defined by any of the above categories is not considered a bidder in this category. A bidder not defined by any of the above categories may possibly be considered a bidder in this category. For purposes of this definition, "other bidder" means an institution or organization with a unique U.S. Internal Revenue Service-assigned employer identification number. This definition of other bidder includes such entities as an association, church, university, union, or club. This category does not include any person or entity acting in a fiduciary or investment management capacity, a sole proprietorship, an investment account, an investment fund, a form of registration, or investment ownership designation.

Notwithstanding the definitions in this Section, it is the intent of Freddie Mac that no auction participant receive a larger auction award by acquiring securities through others than it could have received had it been considered a bidder under these definitions.

**Sec. 23. Formula.**

Formula for Conversion of Fixed-Principal Security Yields to Equivalent Prices

Definitions\*:

P = Price per 100 (dollars), rounded to six places, using normal rounding procedures.

C = Interest rate in decimal form.

A = Number of days from the beginning of an interest payment period to the issue date. (In the case of new security issues (as opposed to reopenings of outstanding issues), this number of days will be zero.)

DFC = Number of days from the issue date to the first interest payment date.

DSC = Number of days from the settlement date\*\* to the first interest payment date.

K = Summation counter number.

N = Number of interest payments between issue date and maturity date.

Y = Annual yield in decimal form.

Formula:

$$P = \left[ \frac{100}{\left(1 + \frac{Y}{2}\right)^{N-1 + \frac{DSC}{180}}} \right] + \left[ \frac{100 * \frac{C}{2} * \frac{DFC}{180}}{\left(1 + \frac{Y}{2}\right)^{\frac{DSC}{180}}} \right] + \left[ \sum_{K=2}^N \frac{100 * \frac{C}{2}}{\left(1 + \frac{Y}{2}\right)^{K-1 + \frac{DSC}{180}}} \right] - \left[ 100 * \frac{C}{2} * \frac{A}{180} \right]$$

---

\* The definitions reflect the function of the formula as a method of calculating prices for the awarded Reference Notes auctioned by Freddie Mac. The definitions may be different if the function of the formula were as a method of calculating prices for other purposes, such as secondary market trading.

\*\* For purposes of calculating prices for awarded Reference Notes, the settlement date will always be the same as the issue date.