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Freddie Mac
8200 Jones Branch Drive
McLean, Virginia 22102

TO THE STOCKHOLDERS OF FREDDIE MAC

September 24, 2004

Dear Freddie Mac Stockholder:

We are pleased to invite you to attend the Annual Meeting of Stockholders to be held on Thursday, November 4, 2004, at 9:00 a.m. (Eastern time) at the Freddie Mac campus, 8000 Jones Branch Drive, McLean, VA 22102. The Proxy Statement and Notice of Annual Meeting of Stockholders accompanying this letter describes the business to be transacted at the meeting.

We hope you will be able to attend the annual meeting and urge you to read the enclosed Proxy Statement and Notice, as well as the accompanying Information Statement and Annual Report to Shareholders and the audited financial statements included in the Annual Report, for information about Freddie Mac and the annual meeting. Please complete, sign and return the enclosed proxy card, or vote by Internet or by telephone, at your earliest convenience. Sending your proxy card, or voting by Internet or by telephone, will not affect your right to vote your shares personally if you do attend the meeting. Please indicate whether you plan to attend the meeting on the proxy card.

Sincerely,

A handwritten signature in black ink that reads "Richard F. Syron".

Richard F. Syron
Chairman of the Board and Chief Executive Officer

FEDERAL HOME LOAN MORTGAGE CORPORATION

PROXY STATEMENT AND NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Our Annual Meeting of Stockholders will be held on Thursday, November 4, 2004, at 9:00 a.m. (Eastern time) at the Freddie Mac office located at 8000 Jones Branch Drive, McLean, VA 22102, for the purposes of:

- (1) Electing 13 members to our Board of Directors, each for a term ending on the date of our next annual meeting;
- (2) Ratifying the appointment of PricewaterhouseCoopers LLP as our independent auditors for 2004;
- (3) Approving the 2004 Stock Compensation Plan;
- (4) Approving the Amended and Restated Employee Stock Purchase Plan; and
- (5) Transacting any other business that may properly come before the meeting or any adjournment thereof.

RECORD DATE

September 10, 2004 is the record date for the annual meeting. This means that owners of Freddie Mac common stock at the close of business on that date are entitled to:

- Receive notice of the meeting; and
- Vote at the meeting or any meeting adjournment.

Stockholders of record on the record date will be admitted to the meeting with verification of stock ownership and photo identification.

WHO MAY ATTEND THE MEETING

Only stockholders, persons holding proxies from stockholders, and representatives of the media may attend the meeting.

WHAT TO BRING TO THE MEETING

If your shares are registered in your name, you should bring the bottom half of the proxy card, which is your admission ticket, and photo identification to the meeting.

If your shares are held in the name of a broker, trust, bank, or other nominee, you will need to bring proof of stock ownership such as an account statement, or a proxy or letter from your broker, trust, bank, or nominee which confirms that you are the beneficial owner of those shares, and photo identification.

WEBCAST OF THE MEETING

If you are not able to attend the meeting in person, you may listen to a live audiocast of the meeting on the Internet by visiting <http://www.freddiemac.com/investors> at 9:00 a.m. (Eastern time) on November 4, 2004.

SECURITY AND PARKING AT THE MEETING

The annual meeting will be held at the Freddie Mac campus. The campus consists of several buildings, so please take note that 8000 Jones Branch Drive is the building where the meeting will be hosted.

Reserved parking will be available for annual meeting attendees. Security measures will require that photo identification and your admission ticket or proof of stock ownership (as listed in "What to Bring to the Meeting" above) be presented to the security guard in order to access the reserved parking area.

Your vote is important. Please vote your proxy promptly so your shares can be represented at the meeting, even if you plan to attend the meeting. You can vote by Internet, by telephone, or by using the enclosed proxy card. Please see your proxy card for specific instructions on how to vote.

Our proxy tabulator, EquiServe, Inc., must receive any proxy that will not be delivered in person to the annual meeting by 11:59 p.m., Eastern time on Wednesday, November 3, 2004.

You have the power to revoke a proxy at any time before its exercise by giving the Corporate Secretary of Freddie Mac written notice of your revocation, by submitting a later dated proxy or by voting the shares in person at the meeting.

The accompanying Proxy Statement contains information describing each matter we expect to be presented for action at the meeting.

By Order of the Board of Directors,

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a long horizontal line that curves back under the 'R'.

Ralph F. Boyd, Jr.
*Executive Vice President, General Counsel and
Secretary*

Dated: September 24, 2004
McLean, Virginia

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ABOUT THE MEETING

Who is soliciting my vote?

The Board of Directors of Freddie Mac, or the Board, is soliciting your vote on proposals being submitted to our annual meeting of stockholders to be held on November 4, 2004.

What am I voting on?

You will be voting on the following four proposals:

- Election of 13 members to the Board (see page 16);
- Ratification of the appointment of PricewaterhouseCoopers LLP, or PricewaterhouseCoopers, as our independent auditors for 2004 (see page 65);
- Approval of the 2004 Stock Compensation Plan (see page 68); and
- Approval of the Amended and Restated Employee Stock Purchase Plan (see page 78).

The Board is not aware of any other matters to be presented for a vote at the meeting.

Who is entitled to vote?

Holders of record of our common stock, par value \$0.21 per share, as of the close of business on September 10, 2004, the record date, are entitled to vote at the annual meeting. As of August 31, 2004, there were 689,544,489 votes that could be cast at the annual meeting by all stockholders, consisting of one vote for each share of Freddie Mac common stock outstanding as of such date. We have no other outstanding classes of stock that are entitled to vote at the annual meeting. There is no cumulative voting.

How many votes do I have?

Stockholders entitled to vote have one vote on all matters for each share of Freddie Mac common stock they owned on the record date. For purposes of determining the number of votes cast with respect to any voting matter, only those votes cast “for” or “against” are counted; “votes withheld” and “abstentions” are not counted.

How do I vote by proxy?

Most stockholders can vote by proxy in three ways:

- By Internet — You can vote by Internet by following the instructions on your proxy card;
- By Telephone — You can vote by telephone by following the instructions on your proxy card; or
- By Mail — You can vote by mail using the enclosed proxy card.

Please see your proxy card or the information provided to you by your bank, trust, broker, or other holder of record for more information on how to vote by proxy.

If you vote by proxy, your shares will be voted at the annual meeting in the manner you indicate.

About the Meeting

What if I hold shares indirectly?

If you hold shares in a stock brokerage account or through a bank, trust or other nominee, you are considered to be the beneficial owner of shares held in “street name” and these proxy materials are being forwarded to you by your broker or nominee. You may not vote directly any shares held in “street name;” however, as the beneficial owner you have the right to direct your broker or nominee on how to vote.

If you hold shares in “street name” and you want to vote in person at the annual meeting, you must bring to the meeting proof of stock ownership such as an account statement or a proxy or letter from your broker or nominee which confirms that you are the beneficial owner of those shares.

Can I change my vote after I return my proxy card?

Yes. You can change or revoke your proxy by Internet, telephone, or mail at any time before the annual meeting, regardless of the method by which you previously cast your vote.

Can I vote in person at the annual meeting?

Yes. However, we encourage you to vote by Internet or telephone, or to complete and return the enclosed proxy card, to ensure that your shares are represented and voted.

How many votes must be present to hold the meeting?

Your shares are counted as present at the meeting if you attend the meeting, or if you properly return a proxy by mail, by telephone or by Internet. In order for us to conduct the meeting, a majority of our outstanding shares of common stock as of September 10, 2004 must be present in person or by proxy at the meeting. This is referred to as a quorum. Abstentions and broker or nominee non-votes will be counted for purposes of establishing a quorum at the meeting. If a quorum is not present, the meeting will be adjourned until a quorum is present. We urge you to vote by proxy even if you plan to attend the annual meeting so that we will know as soon as possible that enough votes will be present for us to hold the meeting.

How many votes are needed to approve Freddie Mac’s proposals?

The 13 nominees for director who receive the greatest number of “for” votes will be elected as directors. This number is called a plurality. Shares not voted will have no impact on the election of directors. If you properly return a proxy, your proxy will be voted “for” each of the nominees for director unless a properly executed proxy is marked “vote withheld” as to a particular nominee or nominees for director.

The ratification of the appointment of PricewaterhouseCoopers as our independent auditors for fiscal 2004 requires a majority of the votes cast at the meeting to be voted “for” the proposal. A properly executed proxy marked “abstain” with respect to this proposal will not be counted as a vote cast.

The approval of the 2004 Stock Compensation Plan and the approval of the Amended and Restated Employee Stock Purchase Plan each require a majority of the votes cast at the meeting to be voted “for” the proposal. A properly executed proxy marked “abstain” with respect to either proposal will not be counted as a vote cast with respect to that proposal.

Does any stockholder control as much as five percent of any class of Freddie Mac's voting stock?

We have only one class of voting stock, which is common stock. Based on a review of beneficial ownership reports as of December 31, 2003 that are filed with us and that are the equivalent of Schedule 13G and 13D reports filed with the Securities and Exchange Commission, and in reliance on updates to those reports based on a review of Form 13F filings with the Securities and Exchange Commission, as of June 30, 2004, Capital Research and Management Company, 333 South Hope Street, 55th Floor, Los Angeles, CA 90071-1447, beneficially owned 48,817,225 shares, or 7.1 percent, of our outstanding common stock. We are unaware of any other stockholders beneficially owning more than five percent of our outstanding common stock.

How will voting on any other business be conducted?

We currently do not know of any business to be considered at the annual meeting other than the proposals described in this Proxy Statement. If any other business is properly presented at the annual meeting, your signed proxy gives authority to the Chairman of the meeting to vote your shares on such matters at his discretion.

Is my vote confidential?

Yes. Proxy cards, ballots, telephone votes, Internet votes and voting tabulations that identify individual stockholders are confidential. Only certain employees who collect the proxy cards and ballots at the annual meeting, receive and review telephone and Internet votes, and the inspectors of election who process proxy cards, ballots, telephone votes and Internet votes and count the vote will have access to your proxy card, ballot, telephone vote and/or Internet vote.

Who will count the vote?

Representatives of EquiServe, Inc. will tabulate the votes and act as inspectors of election.

Will my shares be voted if I do not return my proxy or attend the annual meeting?

Your shares may be voted if they are held in the name of a brokerage firm or nominee, even if you do not provide the brokerage firm or nominee with voting instructions. Brokerage firms and nominees have the authority under New York Stock Exchange rules to vote shares for which their customers do not provide voting instructions on certain "routine" matters. The election of directors and the ratification of PricewaterhouseCoopers as our independent auditors for fiscal year 2004 are considered routine matters for which brokerage firms and nominees may vote shares for which they have not received voting instructions. This is called a "broker vote."

Under New York Stock Exchange rules, your broker or nominee may not vote on the proposals relating to the 2004 Stock Compensation Plan or the Amended and Restated Employee Stock Purchase Plan without your specific instructions.

If your broker or nominee does not have discretion to vote your shares held in the name of the brokerage firm or other nominee on a particular proposal because it is not considered to be a routine matter, and you do not give your broker or nominee instructions on how to vote your shares, the votes will be "broker non-votes." We count broker non-votes for quorum purposes, but we do not count broker non-votes (or abstentions) as votes "for" or "against" any proposal.

If you do not vote shares registered in your name, your shares will not be voted.

What if I return my proxy card but do not provide voting instructions?

Proxy cards that are signed and returned but do not contain instructions on how you want your shares voted will be voted:

- “for” the election of each of the 13 nominees for director;
- “for” the ratification of PricewaterhouseCoopers as our independent auditors for fiscal year 2004;
- “for” the approval of the 2004 Stock Compensation Plan;
- “for” the approval of the Amended and Restated Employee Stock Purchase Plan;
- in accordance with the recommendation of the Board on any stockholder proposal(s); and
- in accordance with the best judgment of the named proxies on any other matters properly brought before the meeting.

Can I access Freddie Mac’s proxy materials and annual report electronically?

Yes. Our Proxy Statement and Annual Report are available on our website at www.freddiemac.com/investors.

What if I vote “abstain”?

Abstentions will be treated as shares present and entitled to vote for purposes of determining the presence of a quorum. Abstentions do not constitute a vote “for” or “against” any matters and thus will have no effect on the outcome of a vote on a proposal.

What happens if the meeting is postponed or adjourned?

Your proxy will still be valid and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

Does Freddie Mac provide for “householding” of proxy materials?

Yes. We have adopted a procedure for stockholders whose shares are held in “street name” called “householding,” pursuant to which stockholders of record who have the same address and the same last name and do not participate in electronic delivery of proxy materials will receive only one copy of our Proxy Statement and Annual Report unless one or more of these stockholders notifies us that they wish to continue receiving multiple copies. This procedure potentially provides extra convenience for stockholders and a cost savings for us. Currently, we are not providing householding to stockholders whose shares are registered in their name.

If at any time you no longer wish to participate in householding and would prefer to receive a separate Proxy Statement and Annual Report, or if your shares are held in “street name” and you are receiving multiple copies of the Proxy Statement and Annual Report and wish to receive only one, please notify your bank, broker, trust or other holder of record.

Stockholders who participate in householding will continue to receive separate proxy cards. Householding will not in any way affect the mailing of dividend checks.

About the Meeting

EXPLANATORY NOTE

The publication of this Proxy Statement, the accompanying Annual Report and our annual meeting for 2004 have been delayed significantly as a result of the ongoing controls remediation and systems re-engineering and development necessary to return to timely financial reporting following the revision and restatement on November 21, 2003 of our financial results for 2002, 2001 and 2000 (collectively referred to as the “restatement”). Although we are addressing the operational weaknesses that are contributing to our current inability to release financial results on a timely basis, uncertainty regarding the expected success, scope and timing of these activities remains. See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION, or MD&A, — RISK MANAGEMENT — Operational Risk — *Sources of Operational Risks*” in the Annual Report for more information.

Our current objective is to provide quarterly and full-year financial results for 2004 by March 31, 2005. Our delivery of both quarterly and full-year 2004 results in the first quarter of 2005 will enable us to resume quarterly financial reporting in 2005 on a timetable to be announced later this year. This decision allows our primary focus to be on our controls and systems remediation efforts (including those we are undertaking in accordance with the consent order, or the OFHEO Consent Order, we entered into on December 10, 2003 with the Office of Federal Housing Enterprise Oversight, or OFHEO, generally resolving the investigation by OFHEO relating to our restatement of prior financial results), to address the material weaknesses and other deficiencies in our internal controls over financial reporting, as described in “MD&A — RISK MANAGEMENT — Operational Risk” in the Annual Report. For more information on the terms of the OFHEO Consent Order, see “LEGAL PROCEEDINGS” and “NOTE 13: LEGAL CONTINGENCIES” to the consolidated financial statements in the Annual Report. This approach should permit us to complete a comprehensive assessment of the design of our internal controls before the next earnings release, an important step in our ongoing remediation efforts. At the same time, we expect to be able to make significant progress on our efforts to develop and build a fully capable systems infrastructure. These combined efforts will facilitate our return to timely financial reporting, enabling us to fulfill our commitment to register our common stock with the Securities and Exchange Commission, or SEC, under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Significant systems revisions are still required as a result of our adoption of revised accounting policies from the 2002 restatement and new accounting rules promulgated for 2003. While we have made substantial progress, we face continuing challenges because of the prior deficiencies in our accounting infrastructure and the operational complexities caused by the volume of revised and new accounting policies we have adopted.

We believe that our overall timetable is appropriate in that it contemplates the necessary additional management due diligence processes for current financial reports in this challenging operating environment and the significant requirements for controls remediation and systems re-engineering and development that are needed to prepare us for the future. Our current plan is to begin providing briefings to the market, at least quarterly, beginning near the end of October 2004, regarding our business and progress toward, and timetable for, timely financial reporting.

CORPORATE GOVERNANCE

We are committed to excellence in corporate governance and to promoting open, honest and direct communications about our financial and management reporting and governance. We have implemented measures to achieve those goals, as well as to meet the requirements of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and to comply with the listing standards of the New York Stock Exchange and OFHEO's corporate governance rules. Our Board has acted to strengthen our policies and performance in the area of corporate governance in the following ways:

- As described below under “Corporate Governance Guidelines,” the Board has adopted Corporate Governance Guidelines, or the Guidelines, including Board independence criteria, in accordance with the listing standards of the New York Stock Exchange. Our independence requirements under the Guidelines also incorporate the audit committee standards of the SEC, and members of our Audit Committee, Compensation and Human Resources Committee, or the CHRC, and Governance and Nominating Committee are fully independent under all applicable legal standards and the Guidelines. The Guidelines are attached to this Proxy Statement as Appendix A and are available on our website at www.freddiemac.com.
- The Board has committed to meet at least eight times each year and continues to meet regularly in executive session without management present.
- Through the Audit Committee, the Board is overseeing our comprehensive review of our internal controls and the implementation of our remediation program. The Board oversees compliance with the OFHEO Consent Order through the Governance and Nominating Committee.
- As described below under “Executive Compensation Report — Methodology,” we continue to use an outside consultant to benchmark our compensation for directors and senior management against a group of companies that are either in a similar line of business or are otherwise relevant for purposes of recruiting individuals with relevant skills and capabilities.
- As described below under “Codes of Conduct,” the Board enhanced our Codes of Conduct for both employees and Board members earlier this year.
- In 2003 and 2004, we conducted a training program for our employees on the provisions of the Sarbanes-Oxley Act and our employee Code of Conduct.
- The Audit Committee adopted a policy for the receipt, retention and prompt resolution of complaints relating to accounting, internal accounting controls and auditing matters, including the confidential or anonymous submission by employees of concerns regarding questionable accounting or auditing matters. We have established a hotline for the submission of confidential or anonymous employee complaints.
- Earlier this year, the Board reviewed and restructured its standing committees and revised their respective charters.
- In September 2004, the Audit Committee adopted a policy governing our employment of current and former employees of, and obtaining human resources services from, our independent auditors.

Corporate Governance Guidelines

In March 2004, the Board adopted revised Corporate Governance Guidelines that reflect many of our current practices and incorporate new policies and procedures aimed at achieving best practices in corporate governance. The full text of the Guidelines is included in this Proxy Statement as Appendix A and also is available on our website at www.freddiemac.com. The following is a summary of certain key provisions of the Guidelines.

The Guidelines define Board size, committee structure and director responsibilities. The Board has committed to meet at least eight times each year, including at least six regularly scheduled meetings. The Audit Committee and the Governance and Nominating Committee also will meet at least eight times each year and the Board anticipates an average of eight meetings per year for all of its standing committees, subject to business needs. All standing committees will hold at least six regularly scheduled meetings each year. For a summary of meetings of the Board and its standing committees in 2003 and through September 10, 2004, see “Proposal 1: Election of Directors — Meetings of the Board and Committees” below.

The Guidelines require that a substantial majority of our directors be independent, as determined by our outside directors under the independence standards set forth in the Guidelines, which satisfy the listing standards of the New York Stock Exchange. In addition, the New York Stock Exchange listing standards and our Guidelines require that all members of the Audit, Compensation and Human Resources, and Governance and Nominating Committees, and the chairs of all standing committees, be independent (and, in the case of the Audit Committee, meet the additional audit committee independence standards of the SEC). The Board’s independence determinations are set forth below under “Director Independence.”

The Guidelines provide standards and information on director qualifications and nominations. Because the Board desires directors who have the ability and time to commit to Board service, directors with full-time professional employment may not serve on the board of directors of more than two other publicly traded companies. Directors who are retired may not serve on the board of directors of more than four other publicly traded companies. Members of our Audit Committee may not serve on more than two other public company audit committees. Board memberships in excess of these requirements must be approved by the Board, which will do so only if the Board determines, in light of the nature of such commitments, that such service will not impair the director’s ability to serve effectively as a member of our Board and the committees on which the director sits. Any such determinations will be disclosed in our Proxy Statement. See “Director Qualifications” below.

The Guidelines impose a term limit of 10 years for elected outside directors, and a retirement age of 72 years for all elected directors, each with a transition period. Exceptions to the term limit and retirement age requirement, which are limited to one additional term in excess of these limits, may be made by the Board only when the Board determines, on the recommendation of the Governance and Nominating Committee, that the interests of Freddie Mac and its stockholders strongly support continued service by that director for one additional term. Any such exceptions must be disclosed in our Proxy Statement. See Item 6 of our Guidelines for additional information on transition provisions.

The Guidelines provide for executive sessions of outside directors, and identify methods for contacting the Board and for communicating with the Board, including complaints relating to accounting or auditing matters. The Guidelines also address annual Board performance evaluations,

senior executive performance review and compensation, management succession, director compensation and stock ownership guidelines. Our senior executives' performance review and compensation are discussed in greater detail in the CHRC's Executive Compensation Report included in this Proxy Statement, and director compensation is discussed in greater detail in "Proposal 1: Election of Directors — Board Compensation" below. Stock ownership guidelines for directors are discussed in greater detail in "Stock Ownership" below.

Director Independence

With the exception of Richard Syron, Eugene McQuade and Thomas Johnson, the outside members of the Board have determined that:

- No member of the Board standing for election has a material relationship with Freddie Mac and all such members of the Board are independent within the meaning of both Section 303A.02 of the listing standards of the New York Stock Exchange and the independence criteria set forth in Item 5 of our Guidelines.
- All current members of the Audit Committee, the CHRC and the Governance and Nominating Committee are, and members of the Board to be appointed to those committees effective November 4, 2004 will be, independent within the meaning of Section 303A.02 of the listing standards of the New York Stock Exchange and Items 4 and 5 of our Guidelines. All current members of the Audit Committee also are, and members of the Board to be appointed to the Audit Committee effective November 4, 2004 also will be, independent within the meaning of Rule 10A-3 promulgated under the Securities Exchange Act of 1934 and Section 303A.06 of the listing standards of the New York Stock Exchange.

Richard Syron is Chief Executive Officer of Freddie Mac as well as Chairman of the Board, and Eugene McQuade is President and Chief Operating Officer of Freddie Mac. Because Messrs. Syron and Mr. McQuade are each employees of Freddie Mac, neither of them is independent under our Guidelines and the listing standards of the New York Stock Exchange.

Thomas Johnson is Chairman and Chief Executive Officer of GreenPoint Financial Corporation, or GreenPoint, which is the parent of GreenPoint Mortgage Funding, Inc. and GreenPoint Bank. Through these wholly owned subsidiaries, GreenPoint regularly sells mortgage loans to Freddie Mac. Because of the business relationship between GreenPoint and Freddie Mac, Mr. Johnson is not currently independent under our Guidelines and the listing standards of the New York Stock Exchange. In February 2004, GreenPoint announced that it had entered into an Agreement and Plan of Merger with North Fork Bancorporation, Inc., under which GreenPoint and its subsidiaries will be acquired by North Fork. Upon the closing of the merger, which is expected to take place on or before September 30, 2004, Mr. Johnson intends to resign as Chairman and CEO and as a member of the board of directors of GreenPoint and is expected to join the North Fork board of directors. The outside members of the Board have determined that after Mr. Johnson's resignation from GreenPoint, and absent any subsequent events which would impair his independence, Mr. Johnson will be independent within the meaning of both Section 303A of the listing standards of the New York Stock Exchange and our Guidelines. For more information on Mr. Johnson, GreenPoint and transactions with Freddie Mac, see "Proposal 1: Election of Directors — Transactions with Institutions Related to Directors" below.

Director Qualifications Under Our Guidelines

Thomas Johnson is a member of the boards of directors of four public companies other than Freddie Mac, including his service as Chairman and CEO of GreenPoint. See “Director Independence” above and “Nominees for Election” below. Because Mr. Johnson has a full-time professional position, his membership on the boards of directors of four publicly traded companies other than Freddie Mac exceeds the criteria in the Guidelines. Following the acquisition of GreenPoint by North Fork, which is expected to take place on or before September 30, 2004, Mr. Johnson is expected to resign from his GreenPoint executive position and board membership and to join the North Fork board of directors. At that time, he will be retired and his membership on the other boards of directors will be consistent with the criteria in the Guidelines. The Board has determined that, for the brief period until those events take place, Mr. Johnson’s continued service as a director of four public companies other than Freddie Mac while also serving as a GreenPoint executive will not impair his ability to serve effectively as a member of our Board and the committees to which he will be appointed.

Barbara Alexander, a nominee for election to the Board, is a member of three other public company boards. See “Nominees for Election” below. Ms. Alexander is not fully retired, as would be necessary to satisfy the criteria in the Guidelines, but her workload as an independent consultant is relatively limited. The Board has determined that her service as a director of those three public company boards along with her work as an independent consultant will not impair her ability to serve effectively as a member of our Board and the committees to which she will be appointed.

Audit Committee Financial Expert

We have a standing Audit Committee which satisfies the “audit committee” definition under Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Messrs. Goeltz, O’Malley, Ross and Turner.

Richard Karl Goeltz has been a member of the Audit Committee since March 31, 2004, and is currently its chairman. The Board has determined that Mr. Goeltz is independent within the meaning of Rule 10A-3 promulgated under the Exchange Act, and that he is an “audit committee financial expert” under SEC regulations.

Codes of Conduct

We have had a Code of Conduct applicable to both employees and the Board since 1992. In 2000, we established separate Codes of Conduct applicable to employees and to Board members. The employee and Board codes were last revised in February 2004 primarily to ensure that each fully complies with rules adopted by the SEC pursuant to the Sarbanes-Oxley Act and the New York Stock Exchange corporate governance listing standards. Upon joining Freddie Mac or its Board, all employees and directors, respectively, are required to sign acknowledgements that they have read the applicable code and agree to abide by it. In addition, all employees, including employee members of the Board, must respond to an annual questionnaire from the Chief Compliance Officer concerning code compliance, and outside directors must respond to a questionnaire regarding outside director code compliance from the Legal Division. All employees are required to certify annually that they agree to be bound by the employee code. The employee code also serves as the code of ethics for senior financial officers required by the Sarbanes-Oxley Act. Copies of our employee and director Codes of Conduct are available, and any amendments or

waivers that would be required to be disclosed by the Sarbanes-Oxley Act will be posted, on our website at www.freddiemac.com.

The Board and the Audit Committee are primarily responsible for the content of the Board and employee Codes of Conduct, and the Audit Committee is primarily responsible for overseeing compliance with the codes. Our Internal Audit Division has been responsible for providing interpretations, granting approvals and monitoring compliance with the employee Code of Conduct. Beginning in February 2004, with the exception of reporting annually the results of quarterly reviews of stock transactions, which responsibility remains with our Internal Audit Division, this responsibility was transferred to the Chief Compliance Officer, a position created in late 2003 and reporting directly to the Chief Executive Officer. As part of his responsibility, the Chief Compliance Officer will make a report annually to the Audit Committee summarizing the information contained in employee questionnaires and any actions taken to remedy reported employee Code of Conduct violations. The Chief Compliance Officer also will report to the Audit Committee quarterly concerning any significant complaints received on the employee hotline and investigations of alleged violations of company policies or significant code violations, particularly by senior officials.

Chairman of the Board

Mr. Syron has served as Chairman of the Board since December 31, 2003. Under our bylaws, the Chairman of the Board is elected annually by the Board at its meeting following the annual meeting.

Under the terms of Mr. Syron's employment agreement, so long as Mr. Syron remains Chief Executive Officer, the Board will nominate him as a director and, provided he is elected as a director, will elect him to serve as Chairman of the Board. In addition to the customary duties of Chief Executive Officer and Chairman, Mr. Syron agreed to actively assist us in developing a succession plan for his replacement as Chief Executive Officer prior to December 31, 2008. Upon the appointment of a successor, Mr. Syron will cease to be Chief Executive Officer and will remain Chairman of the Board through December 31, 2008.

Consistent with the OFHEO Consent Order, we have committed to OFHEO to separate the positions of Chairman and CEO within a reasonable period of time.

Effective September 1, 2004, Eugene M. McQuade was appointed President and Chief Operating Officer of Freddie Mac. Pursuant to the terms of his employment agreement, if someone other than Mr. McQuade is appointed to succeed Mr. Syron as our CEO, or Mr. McQuade is not appointed CEO by September 1, 2007, then under certain conditions, Mr. McQuade may terminate his employment with us for good reason and he will receive certain payments and benefits as a result. For more information about Mr. McQuade's employment agreement and CEO succession terms, see "Executive Compensation — Employment Agreements — *Eugene M. McQuade*" below.

Lead Director

The outside directors have established the position of Lead Director (previously, the Presiding Director), whose responsibilities include assisting the Chairman of the Board in developing the agenda for Board meetings; reviewing the Board's governance procedures and policies, including working with the Chairman to develop and monitor committee charters and assignments; and chairing meetings of the Board held among the outside directors. The Lead Director is elected annually by a majority of the outside directors at the Board meeting following the annual

stockholders' meeting. Mr. O'Malley is currently the Lead Director, and his term as Lead Director expires at the Board meeting following this annual meeting. We will announce the results of the election of the new Lead Director following his or her election.

Previously, Mr. Gould, an independent director under our Guidelines, served as Presiding Director from September 2002 until December 2003. Upon the selection of Mr. Syron as Chairman and Chief Executive Officer, Mr. O'Malley, our former non-executive Chairman and an independent director under our Guidelines, was elected to that position.

Contacting the Board

To contact our Board, please send your comments in writing to Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102. All comments or complaints relating to our accounting, internal accounting controls or auditing matters will be forwarded to the Chair of the Audit Committee, for treatment in a manner consistent with the Audit Committee's complaint policy for such matters, and to the Lead Director. All other comments will be forwarded to the Lead Director. Comments indicating that they are to be submitted to the Lead Director or to the Audit Committee Chair anonymously or confidentially will be treated accordingly. You will receive a written acknowledgement from the Corporate Secretary upon receipt of your comment, unless it is anonymous. Please refer to our website at www.freddiemac.com for more information on our Board and how to contact our Board members.

Stock Ownership

We encourage our directors, officers and employees to own our common stock. A significant portion of director and executive compensation is paid in common stock, as described in greater detail in the "Director Compensation" section of this Proxy Statement and the Executive Compensation Report. We provide our employees with equity-based benefits through:

- our stockholder-approved Employee Stock Purchase Plan;
- a Freddie Mac common stock fund in our 401(k) plan; and
- stock incentives granted under our stockholder-approved 1995 Stock Compensation Plan.

In addition, our outside directors have the opportunity to own our common stock through the stockholder-approved 1995 Directors' Stock Compensation Plan, as amended and restated in 1998, or the Directors' Stock Compensation Plan. We are also proposing that the stockholders approve the 2004 Stock Compensation Plan and the Amended and Restated Employee Stock Purchase Plan, as discussed under "Proposal 3: Approval of the 2004 Stock Compensation Plan" and "Proposal 4: Approval of Amended and Restated Employee Stock Purchase Plan" below. We believe that stock ownership by our directors, officers and employees aligns their interests with the interests of our stockholders.

Stock Ownership Guidelines. As set forth in our Guidelines, directors generally are expected to hold an investment of at least \$100,000 in Freddie Mac common stock within three years after joining the Board, unless the Compensation and Human Resources Committee determines that it is unduly burdensome for a director to make such an investment. This requirement may be satisfied by holding common stock received through equity compensation upon exercise of stock options or lapsing of restrictions on restricted stock or restricted stock units.

Beneficial Ownership. With certain exceptions stated in the footnotes, the following table shows the beneficial ownership of our common stock as of August 25, 2004 by our current directors, nominees, all named executive officers, all of our directors and executive officers as a group, and holders of more than five percent of our common stock. Beneficial ownership is determined in accordance with SEC rules for computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person. As of August 25, 2004, each director, nominee and named executive officer, and all of our directors and executive officers as a group, owned less than one percent of our outstanding common stock. The information presented below is based on information provided to us by the individuals or entities specified in the table.

As of August 25, 2004

Name	Position	Common Stock Beneficially Owned Excluding Stock Options*	Stock Options Exercisable Within 60 Days of August 25, 2004	Total Common Stock Beneficially Owned*
Barbara T. Alexander	Nominee	0	0	0
Martin F. Baumann	EVP-Finance and CFO	30,683 ⁽¹⁾	0	30,683
Geoffrey T. Boisi	Nominee	0	0	0
Leland C. Brendsel	Former Chairman and CEO	273,229 ⁽²⁾	542,342 ⁽²⁾	815,571 ⁽²⁾
Joan E. Donoghue**	Senior Vice President-Principal Deputy General Counsel; Director	10,900 ⁽³⁾	432	11,332
Nazir G. Dossani	Senior Vice President-Investments and Capital Markets	37,019 ⁽⁴⁾	25,792	62,811
Michelle Engler	Director	6,361 ⁽⁵⁾	1,514	7,875
Richard Karl Goeltz	Director	3,706 ⁽⁶⁾	1,086	4,792
George D. Gould**	Director	58,446 ⁽⁷⁾⁽⁸⁾	35,618	94,064
Thomas S. Johnson	Director	2,428 ⁽⁹⁾	0	2,428
Henry Kaufman**	Director	83,555 ⁽¹⁰⁾	35,618	119,173
William I. Ledman**	SVP-Information Systems and Services; Director	82,395 ⁽¹¹⁾	72,992	155,387
William M. Lewis, Jr.	Nominee	0	0	0
John B. McCoy	Director	64,594 ⁽¹²⁾	35,618	100,212
Eugene M. McQuade	President and Chief Operating Officer; Nominee ⁽¹³⁾	92,650 ⁽¹³⁾	0 ⁽¹³⁾	92,650 ⁽¹³⁾
Shaun F. O'Malley	Lead Director	3,690 ⁽¹⁴⁾	1,644	5,334
Gregory J. Parseghian	Former CEO and President	150,364 ⁽¹⁵⁾	189,900 ⁽¹⁵⁾	340,264 ⁽¹⁵⁾
Paul T. Peterson	Former EVP-Chief Operating Officer	56,202 ⁽¹⁶⁾	49,400	105,602
Ronald F. Poe	Director	57,793 ⁽¹⁷⁾	35,618	93,411
Stephen A. Ross	Director	13,788 ⁽¹⁸⁾	6,303	20,091
Richard F. Syron	Chairman and CEO	226,690 ⁽³⁾	0	226,690
William J. Turner	Director	4,673 ⁽¹⁹⁾	3,836	8,509
All directors and executive officers as a group (33 persons) ⁽²⁰⁾		1,491,680 ⁽²⁰⁾	1,183,348	2,675,028

5% Holder***	Common Stock Beneficially Owned	Percent of Class
Capital Research & Management Company 333 South Hope Street, 55 th Floor Los Angeles, CA 90071-1447	48,817,225 ⁽²¹⁾	7.1%

* Includes restricted stock units. A restricted stock unit represents a conditional contractual right to receive one share of common stock of Freddie Mac at a specified future date. Restricted stock units are

Corporate Governance

not considered legally issued or outstanding shares and, therefore, do not have voting rights. Restricted stock units have dividend rights that entitle the grantee to dividend equivalents on each share subject to the grant in the amount of dividends per share payable on our outstanding shares of common stock. For members of our Board, (i) these dividend equivalents are accrued as additional restricted stock units to be settled at the same time as the underlying restricted stock units and are not subject to a vesting schedule, and (ii) all dividend equivalents in the above table are scheduled to settle in common stock as of this annual meeting.

** Not standing for stockholder reelection.

*** Under the Sixth Restated Certificate of Designation, Powers, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions governing our voting common stock, or the Certificate of Designation, we require that beneficial owners of more than five percent of the common stock report the amount of their ownership interest and certain other information to us. All persons who have filed such a report to date are identified in this table. The Certificate of Designation permits us to take such steps as it deems necessary to enforce compliance with the reporting requirement. We may deny beneficial owners who have failed to file the required report the right to vote any shares in excess of the five percent threshold. Any shares as to which voting rights are denied will not be counted as outstanding shares for determining whether a quorum exists or whether a majority of shares has been voted for or against any proposal.

- (1) Includes 30,430 restricted stock units.
- (2) Figures are as of June 6, 2003. Includes 164,711 shares held jointly with his spouse, 27,960 shares held by a family partnership in which Mr. Brendsel is a limited partner, and 5,504 shares held in a memorial fund of which Mr. Brendsel is Chairman of the Board. Mr. Brendsel has shared voting and dispositive power as to such shares. Does not include 410,108 shares issuable upon exercise of unvested stock options and 212,875 shares issuable upon lapse of restrictions on restricted stock and restricted stock units or 101,335 shares required to be sold to cover taxes upon the lapse of restrictions on restricted stock and restricted stock units, as held by Mr. Brendsel as of his date of employment termination. Restricted stock is Freddie Mac common stock subject to a risk of forfeiture and is not transferable during the forfeiture period. In December 2003, OFHEO filed a Notice of Charges against us to require us to convert Mr. Brendsel's termination to a termination for cause under his employment contract and to prohibit us from making any payments to Mr. Brendsel that would exceed the payments to which he would be entitled if he had been terminated for cause under his employment contract. If his employment termination is ultimately treated as termination for good reason, the restrictions on restricted stock and restricted stock units will have lapsed and the unvested stock options will have vested on the date of employment termination. However, if his employment termination is ultimately treated as termination for cause, all restricted stock and restricted stock units subject to restrictions as well as unvested stock options on the date of employment termination will have been forfeited. In early 2004, Mr. Brendsel filed suit against OFHEO challenging OFHEO's authority to withhold various employment benefits from Mr. Brendsel pending resolution of this issue. On May 28, 2004, Mr. Brendsel, with OFHEO's consent, exercised an option to purchase 80,560 shares of Freddie Mac common stock which was scheduled to expire on June 2, 2004. We have been holding the net proceeds from this transaction and have been accounting for them separately from other Freddie Mac assets pending resolution of Mr. Brendsel's dispute with OFHEO. For more information concerning Mr. Brendsel's severance benefits, his May 2004 option exercise and his litigation against OFHEO, see "Executive Compensation — Employment Agreements — *Leland C. Brendsel*" below.
- (3) All restricted stock units.
- (4) Includes 5,090 shares of restricted stock and 27,370 restricted stock units.
- (5) Includes 3,067 restricted stock units and 111 dividend equivalents on restricted stock units.

- (6) Includes 2,354 restricted stock units and 33 dividend equivalents on restricted stock units.
- (7) From time to time, Klingenstein, Fields & Company, an investment management firm of which Mr. Gould is Vice Chairman, may purchase Freddie Mac common stock on behalf of its clients.
- (8) Includes 3,313 restricted stock units and 126 dividend equivalents on restricted stock units.
- (9) Includes 2,206 restricted stock units and 10 dividend equivalents on restricted stock units.
- (10) Includes 20,000 shares held by a family limited liability company, of which Mr. Kaufman is a managing member. Mr. Kaufman has shared voting and dispositive power as to such shares. Also includes 3,313 restricted stock units and 125 dividend equivalents on restricted stock units.
- (11) Includes 8,480 shares of restricted stock and 33,740 restricted stock units.
- (12) Includes 25,960 shares held in a family trust. Also includes 6,688 restricted stock units and 387 dividend equivalents on restricted stock units.
- (13) Mr. McQuade was appointed President and Chief Operating Officer effective September 1, 2004. Figures are as of September 1, 2004. Shares reported for Mr. McQuade represent Mr. McQuade's sign-on stock grant and all shares are restricted stock units.
- (14) Includes 3,236 restricted stock units and 114 dividend equivalents on restricted stock units.
- (15) Figures are as of January 2, 2004.
- (16) Includes 33,080 shares of restricted stock and 14,160 restricted stock units.
- (17) Includes 6,886 restricted stock units and 397 dividend equivalents on restricted stock units. Also includes 9,071 shares held by Mr. Poe's spouse, as to which Mr. Poe disclaims beneficial ownership.
- (18) Includes 5,531 restricted stock units and 294 dividend equivalents on restricted stock units.
- (19) Includes 3,313 restricted stock units and 125 dividend equivalents on restricted stock units.
- (20) Includes 65,260 shares of restricted stock, 663,337 restricted stock units, and 1,722 dividend equivalents on restricted stock units. In addition to the persons shown in the table, this group includes our Principal Accounting Officer and all of our Executive Vice Presidents and Senior Vice Presidents who reported directly to the CEO or the President as of August 25, 2004.
- (21) Based on a review of beneficial ownership reports as of December 31, 2003 that are filed with us and that are the equivalent of Schedule 13G and 13D reports filed with the SEC, and in reliance on updates to those reports based on a review of Form 13F filings with the SEC, as of June 30, 2004, Capital Research & Management Company, 333 South Hope Street, 55th Floor, Los Angeles, CA 90071-1447, beneficially owned 48,817,225 shares with sole voting power as to zero shares and sole dispositive power as to 48,817,225 shares.

PROPOSAL 1: ELECTION OF DIRECTORS

Director Nomination Process

The nominating function of our Board has been delegated to the Governance and Nominating Committee. (Prior to March 31, 2004, this function was performed by the CHRC.) The Governance and Nominating Committee is composed of the following six directors, each of whom is independent under our Guidelines and the listing standards of the New York Stock Exchange: Messrs. Goeltz, Gould, Kaufman, McCoy, O'Malley and Poe. Under the charter of the Governance and Nominating Committee, the committee is responsible for recommending to the Board the slate of nominees to be proposed for election by the stockholders at our annual meeting and for reviewing proposals for nominations from stockholders that are submitted in accordance with the procedures summarized below. A current copy of the charter of the Governance and Nominating Committee is available on our website at www.freddiemac.com.

The Governance and Nominating Committee has the authority to employ a variety of methods for identifying and evaluating potential Board nominees. Candidates for vacancies on the Board may come to the attention of the Governance and Nominating Committee through several different means, including recommendations from Board members, senior management, professional search firms, stockholder nominations, and other sources.

The Governance and Nominating Committee considers all nominations submitted by stockholders that meet the eligibility requirements outlined in our bylaws. As required by our bylaws, stockholder nominations of candidates for election as directors must be submitted in writing to the Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102 not less than 50 days or more than 75 days prior to the date of the annual meeting. Due to the timing of this annual meeting, and as announced in our press release dated August 23, 2004, the deadline for stockholder nominations of candidates for election as directors was September 15, 2004, which was prior to the mailing of this Proxy Statement. The written notice must include:

- the name, age, business address and residential address of the nominee;
- the principal occupation or employment of the nominee;
- a description of all arrangements or understandings between the stockholder and the nominee and any other person relating to the nomination; and
- all other information about the nominee that would be required to be included in a proxy statement soliciting proxies for the election of directors under the rules promulgated under the Exchange Act, as well as a written consent from the nominee to being named in the proxy statement and to serve if elected.

The notice also must include the stockholder's name and record address, the number of shares beneficially owned, and a representation that the stockholder intends to appear in person or by proxy at the meeting to make the nomination. If the notice does not comply with the requirements of our bylaws, the chair of the annual stockholders' meeting may so declare to the meeting and the defective nomination will be disregarded.

As stated in the Guidelines, our Board seeks candidates for election to the Board who have achieved a high level of stature, success and respect in their principal occupations. Directors must exemplify high standards of integrity and be committed both to our public mission and to the interests of our stockholders. We seek to have a diversity of talent on the Board. Candidates are selected for their character, judgment, experience and expertise. In addition, directors must have the

ability and time to commit to Board service. For this reason, the Guidelines impose certain limits on the number of public company directorships a director may hold. In selecting candidates for election to the Board, the Board also considers a director's independence under the independence standards that are a part of the Guidelines.

Stockholder nominees to the Board will be evaluated by the Governance and Nominating Committee based on the criteria specified above in the same way as a nominee recommended by the Board or management.

Nominees for Election

Our enabling legislation establishes the membership of our Board at 18 directors: 13 directors elected by the stockholders and 5 directors appointed by the President of the United States. All directors have the same duties and responsibilities and serve for a term ending on the date of the next annual meeting of stockholders. Thirteen directors are to be elected at this meeting. The Board has nominated the persons named below for election at this annual meeting to serve until the next annual meeting. With the exception of Messrs. McQuade, Boisi, Johnson and Lewis and Ms. Alexander, who are standing for stockholder election for the first time, each of the persons named below is nominated for reelection at this meeting. Messrs. Gould, Kaufman and Ledman and Ms. Donoghue are not standing for reelection. Mr. McQuade is President and Chief Operating Officer of Freddie Mac, and is being nominated by the Board for election to the Board consistent with the terms of his employment agreement, which were reviewed and approved by the Board. Mr. Johnson was elected by the Board in June 2004 to fill a vacancy. Each of Messrs. Boisi, Johnson and Lewis and Ms. Alexander were identified as potential candidates by a third-party search firm retained to assist the Governance and Nominating Committee in its search for possible director candidates, for which the third-party search firm was paid a fee. The evaluation of the suitability of Messrs. Boisi, Johnson and Lewis and Ms. Alexander as directors of Freddie Mac was performed by the Governance and Nominating Committee.

The Board expects each of its current members and each nominee and presidential appointee to attend any Freddie Mac annual stockholders' meeting at which such person is standing for election or reelection or will begin a term as a presidential appointee to the Board. Each of the 8 nominees for reelection to the Board attended the March 31, 2004 annual meeting. If any of the 13 nominees is unable or unwilling to serve on the date of the annual meeting or any adjournment of the meeting, the proxies received on behalf of that nominee will be voted for a substitute nominee. The Board has no reason to believe that any of the nominees will be unable or unwilling to serve if elected.

Unless stockholders specify otherwise in their proxies, proxies solicited by the Board will be voted for each of the 13 nominees for election named in this Proxy Statement. The 13 nominees who receive the greatest number of votes will be elected. No stockholder is entitled to cumulate his or her votes in the election of directors. Your proxy may not be voted for a greater number of persons than the 13 nominees named.

We recommend that you vote *for* each of the 13 nominees.

The nominees have provided the following information about their principal occupation, business experience and other matters.



BARBARA T. ALEXANDER

Nominee

Age 56

Ms. Alexander has been an independent consultant since January 2004. Prior to that, she was a Senior Advisor to UBS Warburg LLC and predecessor firms (UBS) from October 1999 to January 2004 and Managing Director of the North American Construction and Furnishings Group in the Corporate Finance Department of UBS from 1992 to October 1999. From 1987 to 1992, Ms. Alexander was a Managing Director in the Corporate Finance Department of Salomon Brothers Inc. From 1972 to 1987, she held various positions at Salomon Brothers, Smith Barney, Investors Diversified Services, and Wachovia Bank and Trust Company. Ms. Alexander is a member of the board of directors of Burlington Resources, Inc., Centex Corporation, where she is chair of the Audit Committee, and Harrah's Entertainment, Inc., where she is chair of the Audit Committee. She also is an Executive Fellow at the Joint Center for Housing Studies at Harvard University and a member of the board of directors of Habitat for Humanity International, where she chairs its audit committee, and sits on both its executive and operations committees.



GEOFFREY T. BOISI

Nominee

Age 57

Mr. Boisi is the retired Vice Chairman and Co-Chief Executive Officer of JP Morgan Chase and Company. He held that position, and was a member of the Executive Committee and Management Committee, from 2000 to May 2002. From 1993 to 2000, he was the founding Chairman and Senior Partner of the Beacon Group, a private investment, mergers and acquisitions, and strategic advisory firm. From 1971 to 1993, Mr. Boisi held various positions at Goldman Sachs & Company, including Partner, member of the firm's Management Committee and head of the investment banking business.



MICHELLE ENGLER

Director since 2001

Age 46

Ms. Engler is an attorney and Trustee of the JNL Investor Series Trust, an investment company, and has been a member of the Board of Managers of each of the JNL Variable Funds since 2000. From 1992 to 2000, she was of counsel to the law firm of Varnum Riddering, Schmidt & Howlett, a Grand Rapids, Michigan-based law firm. Prior to that, she was a partner in the Houston law firm of Nathan, Wood & Sommers. Ms. Engler served on our Board of Directors as a presidential appointee from 2001 through March 31, 2004, when she was elected to our Board of Directors by the stockholders.



RICHARD KARL GOELTZ

Director since 2003

Age 62

Mr. Goeltz was Vice Chairman, Chief Financial Officer and Member of the Office of the Chief Executive of American Express Company from 1996 to 2000. Prior to that, he was Group Chief Financial Officer and a member of the Board of NatWest Group from 1992 to 1996. Mr. Goeltz also held various finance positions at The Seagram Company Ltd., including Executive Vice President-Finance and Chief Financial Officer, and at Exxon Corporation. He is a director of Warnaco Group, Inc., where he is Chair of the Audit Committee, a director of the New Germany Fund and a director of Aviva plc, where he is a member of the Audit Committee. He is also a member of the Court of Governors and the Council of the London School of Economics and Political Science.



THOMAS S. JOHNSON

Director since 2004

Age 63

Mr. Johnson has been Chairman and Chief Executive Officer of GreenPoint Financial Corporation, a national specialty mortgage lender and New York consumer banking company, since 1993. He also was President of GreenPoint through 1997. Prior to that, he served as President and a director of Chemical Bank and Chemical Banking Corporation and then of Manufacturers Hanover Trust Company and Manufacturers Hanover Corporation. Mr. Johnson also is a director of Alleghany Corporation, where he is a member of the Audit Committee, RR Donnelley & Sons, Inc. and the Phoenix Companies, where he is Chairman of the Audit Committee.



WILLIAM M. LEWIS, JR.

Nominee

Age 48

Mr. Lewis is a Managing Director and Co-Chairman of Investment Banking at Lazard Frères & Co. LLC, a position he has held since April 2004. From 1978 to 1980 and from 1982 to April 2004, he held various positions at Morgan Stanley, most recently serving as Managing Director and Co-Head of the Global Banking Department from 1999 to 2004.



JOHN B. McCOY

Director since 1990

Age 61

Mr. McCoy retired as Chairman of Bank One Corporation, a bank holding company, in December 1999, where he had been Chief Executive Officer since 1984 and Chairman since October 1998. Prior to joining Bank One Corporation as Chief Operating Officer in 1983, he was President of Bank One, Columbus, NA and Bank One Trust Company, NA. Mr. McCoy joined Bank One Corporation in 1970. Mr. McCoy also is a director of Cardinal Health, Inc., ChoicePoint, Inc. and SBC Communications, Inc.



EUGENE M. McQUADE

Nominee

Age 55

Mr. McQuade was appointed President and Chief Operating Officer of Freddie Mac effective September 1, 2004. Before joining Freddie Mac, Mr. McQuade was President of Bank of America Corporation. He also served as President and Chief Operating Officer of FleetBoston Financial Corp., which merged with Bank of America on April 1, 2004. Mr. McQuade joined Fleet in 1992 and became Chief Financial Officer in 1993, Vice Chairman in 1997, and President and Chief Operating Officer in 2002. Prior to joining Fleet, Mr. McQuade was Executive Vice President and Controller of Manufacturers Hanover Corp. Mr. McQuade is also a director of XL Capital Ltd.



SHAUN F. O'MALLEY

Director since 2001
Lead Director since 2003

Age 69

Mr. O'Malley served as our non-executive Chairman from June to December 2003. Upon the election of Mr. Syron as Chairman and Chief Executive Officer in December 2003, Mr. O'Malley resigned his position as non-executive Chairman and became the Lead Director. Mr. O'Malley retired from Price Waterhouse LLP in 1995, where he was Chairman and Senior Partner from 1988 to 1995. He also was president of the Financial Accounting Foundation from 1990 to 1992. Mr. O'Malley also serves on the Boards of Directors of Horace Mann Educators Corporation and The Finance Company of Pennsylvania, where he is chair of their respective Audit Committees.



RONALD F. POE

Director since 1990

Age 66

Mr. Poe has been President of Ronald F. Poe & Associates, a private real estate investment firm, since 1998. In September 1998, he retired as Chairman of the Board and Chief Executive Officer of Legg Mason Dorman & Wilson, Inc., a real estate investment banking firm, where he had worked for 34 years. Mr. Poe also is a director of CPC Resources, Inc., the for-profit wholly owned subsidiary of Community Preservation Corporation, a not-for-profit corporation.



STEPHEN A. ROSS

Director since 1998

Age 60

Mr. Ross has been the Franco Modigliani Professor of Finance and Economics at the Massachusetts Institute of Technology since 1998. He has also been Chairman of Compensation Valuation Incorporated, a company specializing in option valuation related issues, since April 2003. He was a Principal of IV Capital Ltd., an investment management company, from 2003 to July 2004, and Co-Chairman of Roll and Ross Asset Management Corporation, a London-based fund of funds company from 1986 to July 2004. He previously was the Sterling Professor of Economics and Finance at Yale University from 1976 to 1998, and a Professor of Economics and Finance at the Wharton School of the University of Pennsylvania. Mr. Ross also is a member of the Board of Trustees of the College Retirement Equities Fund.



RICHARD F. SYRON

Director since 2003

Age 60

Mr. Syron was elected our Chairman of the Board and Chief Executive Officer in December 2003. Prior to joining Freddie Mac, Mr. Syron was the Executive Chairman of ThermoElectron Corporation from November 2002 to December 2003. Mr. Syron was named to the Board of ThermoElectron in 1997. He became Chairman in January 2000 and was Chief Executive Officer from June 1999 to November 2002. He also served as President from June 1999 to July 2000. Prior to joining ThermoElectron, he served as Chairman and Chief Executive Officer of the American Stock Exchange from 1994 to May 1999, President of the Federal Reserve Bank of Boston from 1989 to 1994, and President of the Federal Home Loan Bank of Boston from 1986 to 1989. He is a director of the McKesson Corporation.



WILLIAM J. TURNER

Director since 1990

Age 61

Mr. Turner has been Manager of Signature Capital, Inc., a venture capital investment firm, since he founded the company in April 1996. From 1989 to 1992, he was Chairman and Chief Executive Officer of several Forstmann Little companies, F.L. Industries, F.L. Aerospace, Lear Siegler and Pullman, engaged in manufacturing products for the aerospace, electrical lighting and component, retail service systems, environmental control and selected military service markets. Prior to that, Mr. Turner served in a number of capacities for Automatic Data Processing, Inc., including Chief Operating Officer, President and a member of the Board of Directors.

Directors Appointed by the President of the United States

As stated above under “Nominees for Election,” our enabling legislation establishes the membership of our Board at 18 directors: 13 directors elected by the stockholders and 5 appointed by the President of the United States. Prior to our March 31, 2004 annual meeting, the Office of Counsel to the President informed us that the President did not intend to reappoint any of his then-current presidential appointees. Consequently, each of their terms as presidential appointees ended on the date of that annual meeting. No new appointees have been named by the President as of the date of this Proxy Statement.

Meetings of the Board and Committees

The Board met 25 times in 2003, and 7 times during the period January 1, 2004 to September 10, 2004. During 2003, each of the current directors who were members of the Board in 2003 attended more than 75 percent of the meetings of the Board and committees on which he or she served, and the outside directors met regularly in executive session without management.

The seven standing Board committees charged with overseeing core business or corporate functions in 2003 and early 2004 were:

- the Audit Committee;
- the Compensation and Human Resources Committee (which was responsible for performing nominating functions);
- the Finance Committee;
- the Governance Committee;
- the Investment Committee;
- the Mortgage Operations Committee; and
- the Risk Committee.

In addition to these standing committees, in March 2003, the Board created an Ad Hoc Committee on Financial Management to oversee the restatement, the preparation and completion of the 2003 audited financial statements, and the preparation and completion of our financial statements and related financial reports for 2004. This committee was dissolved in April 2004 and its functions, to the extent they had not been completed by the committee, were transferred to a subcommittee of the Audit Committee. In September 2003, the Board also created, on an interim basis, an Ad Hoc CEO Search Committee to oversee the selection of a Chief Executive Officer. This committee was dissolved in December 2003 upon the selection of Mr. Syron as Chairman and Chief Executive Officer. In December 2003, the Board created a Special Derivative Litigation Committee to investigate allegations and claims made in stockholder derivative litigation on behalf of stockholders against certain of our former executive officers and directors. For more information about this litigation, see NOTE 13: LEGAL CONTINGENCIES to the consolidated financial statements in the accompanying Annual Report.

In March 2004, the Board reorganized its standing committee structure, which now consists of the following five standing committees:

- the Audit Committee;
- the Compensation and Human Resources Committee;
- the Finance and Capital Deployment Committee;
- the Governance and Nominating Committee; and
- the Mission and Sourcing Committee.

With respect to current Board members, the membership of each committee in existence during 2003, along with the number of times each such committee met in 2003, is shown in the chart below. The committee charters of each of the current five standing committees are available on our website at www.freddiemac.com. The Audit Committee Charter also is attached as Appendix B to this Proxy Statement.

COMMITTEES OF THE BOARD OF DIRECTORS IN 2003

<u>Director</u>	<u>Financial Mgmt</u>	<u>Audit</u>	<u>CEO Search</u>	<u>Comp & Human Resources</u>	<u>Finance</u>	<u>Governance</u>	<u>Investment</u>	<u>Mortgage Operations</u>	<u>Risk</u>	<u>Special Deriv Litigation⁶</u>
J. Donoghue ¹										
M. Engler		✓							✓	✓
R. Goeltz ²										
G. Gould	✓		✓		Chair	Chair	✓			
T. Johnson ³										
H. Kaufman						✓	Chair		✓	
W. Ledman ⁴										
J. McCoy	✓		✓	Chair		✓		✓		✓
S. O'Malley	Chair	✓	Chair			✓			✓	
R. Poe		✓				✓		Chair		
S. Ross			✓				✓		✓	Chair
R. Syron ⁵										
W. Turner	✓	✓						✓		
2003 Meetings	27 ⁷	24 ⁷	10	9	3	26 ⁷	4	4	6	0 ⁶

- (1) Ms. Donoghue was elected to the Board on March 31, 2004. Ms. Donoghue is not a member of any committee.
- (2) Mr. Goeltz was elected to the Board in December 2003. Mr. Goeltz has been a member of the Audit Committee since March 31, 2004 and is currently its chairman. Mr. Goeltz also is a member of the Finance and Capital Deployment Committee and the Governance and Nominating Committee.
- (3) Mr. Johnson was elected to the Board on June 4, 2004 and is not yet a member of any committee.
- (4) Mr. Ledman was elected to the Board on March 31, 2004. Mr. Ledman is not a member of any committee.
- (5) Mr. Syron was elected to the Board on December 31, 2003. Mr. Syron is not a member of any committee.
- (6) The Special Derivative Litigation Committee was formed in December 2003 and did not hold any meetings in 2003.
- (7) Includes nine joint meetings of the Ad Hoc Committee on Financial Management, Audit Committee and Governance Committee.

The following is a description of the board committees and their responsibilities as of the date of this Proxy Statement:

The Audit Committee's primary responsibility is to assist the Board in discharging its oversight responsibilities with respect to financial matters and compliance with laws and regulations. The committee's primary responsibilities with respect to its oversight of financial matters are:

- To appoint, evaluate and, as the committee may deem it appropriate, terminate and replace our independent auditors;
- To monitor the independence of our independent auditors;
- To determine the compensation of our independent auditors;

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- To review the independent auditors' report on the independent auditor's internal quality control procedures;
- To pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by our independent auditors;
- To review our risk exposures, the adequacy of related controls, and policies with respect to risk assessment and risk management;
- To oversee the integrity of our financial reporting processes and disclosure, including systems of control regarding finance, accounting, compliance with legal and regulatory requirements, and information systems;
- To hire, determine the compensation of, evaluate the performance of and determine whether to retain the Senior Vice President — General Auditor;
- To assess the effectiveness of the internal auditors; and
- To conduct an annual evaluation of the committee's performance.

The current members of the Audit Committee are: Messrs. Goeltz (Chair), O'Malley, Ross and Turner. During the period January 1, 2004 to September 10, 2004, the Audit Committee met 18 times. The subcommittee of the Audit Committee (Messrs. Goeltz (Chair), O'Malley and Turner and Mr. Gould, Chairman of the Governance and Nominating Committee), which assumed the functions of the Ad Hoc Committee on Financial Management in April 2004, met 12 times between April 23, 2004 and September 10, 2004. The Audit Committee's purposes, duties and responsibilities under its charter include those specified in the listing standards of the New York Stock Exchange for audit committees.

The Compensation and Human Resources Committee's primary functions are:

- To approve executive compensation, including the corporate goals and objectives to be used in evaluating the performance of the CEO and determining the CEO's compensation;
- To approve salary ranges and cash bonus plans for non-executive officers;
- To recommend new stock plans and benefit plans and approve any amendments to existing plans;
- To review the management of our human resources;
- To review diversity initiatives;
- To recommend director compensation;
- To review plans for management succession;
- To review, establish, amend and/or terminate any pension plan, thrift plan and other company-wide retirement plans; and
- To conduct an annual evaluation of the committee's performance.

The current members of the CHRC are: Messrs. McCoy (Chair), O'Malley and Poe and Ms. Engler. During the period January 1, 2004 to September 10, 2004, the CHRC met 12 times. The purposes and responsibilities of the CHRC under its charter include those specified in the listing standards of the New York Stock Exchange for compensation committees.

The Finance and Capital Deployment Committee was created in March 2004. Its primary functions are:

- To review our capital requirements, management and allocation;
- To recommend our dividend policy for approval by the Board;
- To monitor our debt and mortgage-related securities activities;
- To monitor our investment, funding, liquidity and hedging strategies and activities;
- To monitor our asset/liability management techniques; and
- To conduct an annual evaluation of the committee's performance.

The current members of the Finance and Capital Deployment Committee are: Messrs. Goeltz, Gould, Kaufman (Chair), Ross and Turner. During the period January 1, 2004 to September 10, 2004, the Finance and Capital Deployment Committee met 3 times. The Finance and Capital Deployment Committee expects to meet at least 6 times during the twelve-month period following its creation in March 2004.

The Governance and Nominating Committee's members are the chairs of each of the other standing committees and, if the Lead Director is not one of the committee chairs, the Lead Director, and any other directors designated by the Board. Its primary functions are:

- To review and recommend changes in our bylaws and Guidelines, including independence standards and qualifications for Board membership;
- To conduct an annual evaluation of the committee's performance and to oversee the annual evaluation of the performance of the Board and each of its other committees;
- To identify individuals qualified to be members of the Board and to recommend Board nominees;
- To review and make recommendations concerning the independence of Board members and to review the application to Board members of membership qualifications under the Guidelines;
- To make recommendations concerning membership on Board committees and on committee structure and responsibilities;
- To make recommendations concerning stockholder proposals submitted for inclusion in our Proxy Statement;
- To oversee management of legislative and related matters;
- To review the activities of our political action committee; and
- To oversee our compliance with the OFHEO Consent Order.

The current members of the Governance and Nominating Committee are: Messrs. Goeltz, Gould (Chair), Kaufman, McCoy, O'Malley and Poe. During the period January 1, 2004 to September 10, 2004, the Governance and Nominating Committee met 18 times. The purposes and

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responsibilities of the Governance and Nominating Committee under its charter include those specified in the listing standards of the New York Stock Exchange for governance and nominating committees.

The Mission and Sourcing Committee was created in March 2004. Its primary functions are:

- To monitor our mission-related activities;
- To monitor our mortgage purchase activities;
- To approve significant mortgage purchase transactions;
- To monitor our mortgage-related security activities and approve significant mortgage-related security transactions;
- To monitor the trading policy and guidelines that govern the business activities of our Securities Sales and Trading Group; and
- To conduct an annual evaluation of the committee's performance.

The current members of the Mission and Sourcing Committee are Messrs. Gould, Kaufman, McCoy, Poe (Chair) and Ms. Engler. During the period January 1, 2004 to September 10, 2004, the Mission and Sourcing Committee met 4 times. The Mission and Sourcing Committee expects to meet at least 6 times during the twelve-month period following its creation in March 2004.

The Special Derivative Litigation Committee's primary function is to conduct an investigation and evaluation of the allegations and claims set forth in the stockholder derivative litigation and related demand letters and determine what actions, if any, we should take in connection with such allegations and claims. The current members of the Special Derivative Litigation Committee are: Messrs. McCoy and Ross and Ms. Engler (Chair). During the period January 1, 2004 to September 10, 2004, the Special Derivative Litigation Committee met 6 times.

Board Compensation

The key components of the compensation for outside directors are cash fees and stock awards that tie a majority of director compensation to the long-term value of Freddie Mac. Each director may defer receipt of cash fees and stock awards, as well as elect to convert cash fees into common stock under the Directors' Deferred Compensation Plan and the Directors' Stock Compensation Plan. We do not have any pension or retirement plans for outside directors.

Cash Compensation. Cash retainers are granted on a calendar year basis and paid quarterly. In 2003, each outside director was paid an annual retainer of \$50,000. The retainer paid to directors who are elected or appointed after the last annual stockholders' meeting is pro-rated based on the quarter in which they join the Board. Directors also were paid \$1,000 for attendance at each meeting of the Board or any Board committee and were reimbursed for out-of-pocket costs of attending those meetings. Directors on the Audit Committee received \$2,000 for attending each Audit Committee meeting. Each Board committee chairman also received an annual retainer of \$5,000 in 2003, except for the Chair of the Audit Committee, whose annual retainer was increased to \$10,000. The Lead Director is paid an additional annual retainer of \$50,000. In 2003, the non-executive Chairman received an additional annual retainer of \$500,000, which was paid on a quarterly basis. Upon the

appointment of Mr. Syron as Chairman and Chief Executive Officer on December 31, 2003, the position of non-executive chairman was eliminated. In 2003, members of the Ad Hoc CEO Search Committee were paid \$1,000 for each interview attended in connection with selecting a new Chief Executive Officer. In 2003, members of the Ad Hoc Committee on Financial Management were paid \$1,000 for each meeting of the committee until its dissolution in April 2004. Beginning in April 2004, members of the Governance and Nominating Committee were paid \$1,000 for each interview attended in connection with identifying potential Board candidates. The Board has not adopted any changes to these amounts of cash compensation for 2004.

Under the Directors' Deferred Compensation Plan (which is an unfunded, non-qualified plan), directors may elect to defer cash compensation for any number of years specified by the director. Generally, elections under the Directors' Deferred Compensation Plan, as well as elections under the Directors' Stock Compensation Plan to receive stock in lieu of cash, must be made by December 31 of the year preceding the year for which election is made. Cash deferred is credited to a director's account as of the date the amounts would have otherwise been paid to the director. Deferred compensation to be settled in cash is credited with interest compounded quarterly at the rate of (1) one percent per annum in excess of the prime rate as reported by *The Wall Street Journal* on the first business day of each calendar year during the deferral period or (2) such other rate as is determined by the CHRC. In 2003, interest was credited at the rate of 5.25 percent based on the prime rate on January 2, 2003 of 4.25 percent plus one percent. In 2004, interest is being credited at the rate of 5.00 percent based on the prime rate on January 2, 2004 of 4.00 percent plus one percent. Deferred compensation to be settled in deferred stock is credited with dividend equivalents to be reinvested in additional deferred stock, as dividends are declared and paid on our common stock. Subject to earlier payment under hardship withdrawals and terminations of Board membership (including disability or death), deferred compensation distributions are payable at the end of the deferral period in lump sums. Distributions may not be deferred beyond the earlier of a director's termination of membership on the Board, disability or death.

Equity Compensation. Under our Guidelines, outside director compensation should be weighted toward stock-based compensation to enhance alignment with stockholder interests, with restricted stock or other stock-based compensation constituting at least 50% of director compensation. Typically, equity compensation constitutes approximately two-thirds of the economic value of director compensation. Because we did not hold an annual meeting in 2003, there were no equity grants made to directors in 2003. Because we will hold two annual meetings in 2004, there will be two equity grants made to directors in 2004: one equity grant was made on the date of the March 31, 2004 annual meeting, and a second equity grant will be made on the date of this annual meeting.

Under the Directors' Stock Compensation Plan, on the date of the annual meeting, each reelected or reappointed outside director is granted an option to purchase shares of our common stock with a value of approximately \$150,000 on the date of the grant. Each such director also receives restricted stock units relating to common stock with a value of approximately \$65,000 on the date of the grant. On the date of the annual meeting (or, for new directors elected by the Board or appointed by the President between annual meetings, the first meeting attended after their election or appointment), newly elected and newly appointed directors receive an option to purchase shares with a value of approximately \$300,000 and restricted stock units relating to common stock with a value on the date of grant of approximately \$130,000. Those directors are not eligible to

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receive any additional grants in their second term. The exercise price of an option is equal to the fair market value of a share of our common stock on the date of the grant. The number of restricted stock units and shares subject to a stock option are calculated by dividing the dollar amount of the award by the fair market value of our common stock on the date of grant. Vesting with respect to both stock options and restricted stock units occurs in even increments over five terms on the Board, with 20% vesting at the end of every term of office, unless vesting is accelerated under certain circumstances including death, disability or retirement from the Board.

For our directors, stock options and restricted stock units have dividend rights that entitle the grantee to dividend equivalents on each share subject to the grant in the amount of dividends per share payable on our outstanding shares of common stock. Dividend equivalents on stock options are accrued and are payable in cash upon exercise or expiration of the option. Dividend equivalents on restricted stock units are accrued as additional restricted stock units to be settled at the same time as the underlying restricted stock units and are not subject to a vesting schedule.

Stock Ownership Guidelines. Under the Guidelines, directors generally are expected to hold an investment of at least \$100,000 in our common stock within three years after joining the Board, unless the CHRC determines that it is unduly burdensome for a director to make such an investment. This requirement may be satisfied by holding common stock received through equity compensation upon exercise of stock options or lapsing of restrictions on restricted stock or restricted stock units.

Compensation Committee Interlocks and Insider Participation

None of the members of the Board who served on the CHRC during fiscal 2003 were officers or employees of Freddie Mac or had any relationship with us that would be required to be disclosed by us under Item 404 of Regulation S-K promulgated by the SEC.

Transactions with Institutions Related to Directors

In the ordinary course of business, we were a party during 2003, and expect to continue to be a party during 2004, to certain business transactions with institutions affiliated with members of our Board. Management believes that the terms and conditions of the transactions were no more and no less favorable to us than the terms of similar transactions with unaffiliated institutions to which we are, or expect to be, a party. These transactions are described below.

In 2003 and through August 31, 2004, Ms. Engler's husband was employed by Electronic Data Systems Corporation, or EDS, as President of EDS State and Local Government and Vice President of EDS Government Solutions for North America. EDS provides services to Freddie Mac that are negotiated at arm's length. In 2003, EDS received revenues from Freddie Mac in the amount of \$24,121,676. Mr. Engler's employment with EDS ended on August 31, 2004.

As discussed above in "Corporate Governance — Director Independence," Mr. Johnson is Chairman and Chief Executive Officer of GreenPoint, which is the parent of GreenPoint Mortgage Funding, Inc. and GreenPoint Bank. Through these wholly-owned subsidiaries, GreenPoint regularly sells mortgage loans to Freddie Mac. For the period commencing on January 1, 2003 and ending on June 30, 2004, GreenPoint sold mortgages to Freddie Mac in the aggregate principal amount of approximately \$4.2 billion. In February 2004, GreenPoint announced that it had entered

into an Agreement and Plan of Merger with North Fork under which GreenPoint and its subsidiaries will be acquired by North Fork in an all stock merger transaction. Upon the closing of the merger, which is expected to take place on or before September 30, 2004, Mr. Johnson intends to resign as Chairman and CEO and as a member of the board of directors of GreenPoint, and is expected to join the board of directors of North Fork. Our relationship with GreenPoint is expected to continue after Mr. Johnson resigns as Chairman and CEO of GreenPoint.

Bank of America Corporation, of which Mr. McQuade was President from April through June, 2004, is the parent of Bank of America, N.A., which has been a major seller of mortgage loans to Freddie Mac. From January 1, 2003 through June 30, 2004, we purchased approximately \$14.9 billion of mortgage loans from Bank of America. Bank of America is also one of the counterparties with which we execute derivative transactions in the ordinary course of business. In addition, Bank of America Securities LLC has acted as an underwriter of our debt and mortgage securities, for which it has received standard underwriting compensation.

Legal Proceedings

For information about legal proceedings related to the restatement where one or more current or former executive officers or directors are or have been named parties, see NOTE 13: LEGAL CONTINGENCIES to the consolidated financial statements in the accompanying Annual Report and “Executive Compensation — Employment Agreements — *Leland C. Brendsel*” below.

Indemnification and Other Reimbursements of Directors, Officers and Employees

Our bylaws provide for indemnification and advancement of reasonable fees and expenses (including legal fees) to any director, officer or employee who is a party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal, by reason of the fact that he or she is or was a director, officer or employee of Freddie Mac, although indemnification is not permitted in the case of willful misconduct, knowing violation of criminal law, or improper personal benefit. Consistent with our bylaws, the Board has authorized, and has delegated authority to the Governance and Nominating Committee over, the advancement of reasonable fees and expenses (including legal fees) incurred by our current and former directors, officers and employees in connection with legal proceedings related to the restatement, including the previously disclosed investigations by OFHEO, the SEC, the U.S. Attorney’s Office for the Eastern District of Virginia and other governmental agencies as well as class action and stockholder derivative lawsuits, all as described in NOTE 13: LEGAL CONTINGENCIES to the consolidated financial statements in the accompanying Annual Report.

In addition, the Board has authorized, and has delegated authority to the Governance and Nominating Committee over, the reimbursement of reasonable fees and expenses (including legal fees) incurred by our current or former directors, officers and employees who are interviewed or who provide testimony in either internal or external investigations or in proceedings in which they are not parties or are not threatened to be made parties (which we refer to as Information Witnesses) and who, therefore, are not eligible for advancement or indemnification under our bylaws.

The Governance and Nominating Committee has hired special outside counsel to make advancement determinations under our bylaws and to provide reimbursements to Information Witnesses. Each current or former director, officer and employee receiving advancement under our

bylaws or reimbursement as an Information Witness has executed a written undertaking to repay amounts ultimately determined to be ineligible for indemnification or reimbursement.

In connection with these legal proceedings, we have paid an aggregate of approximately \$9.6 million of advancements and reimbursements through August 31, 2004 for all current and former directors, officers and employees. We anticipate continuing to make additional advancements under our bylaws and to provide reimbursements to Information Witnesses in 2004.

AUDIT COMMITTEE REPORT

The Audit Committee operates under a written charter adopted by the Board, which is reviewed at least annually and was last revised and approved by the Board in March 2004. A copy of the charter is included in this Proxy Statement as Appendix B, and is also available on our website at www.freddiemac.com. As stated in the charter, the Audit Committee's primary responsibility is to assist the Board in discharging its oversight responsibilities with respect to financial matters and compliance with laws and regulations. The Audit Committee's primary responsibilities with respect to its oversight of financial matters are:

- To appoint, evaluate, and, as the committee may deem it appropriate, terminate and replace our independent auditors;
- To monitor the independence of our independent auditors;
- To determine the compensation of our independent auditors;
- To review the independent auditor's report on the independent auditor's internal quality control procedures;
- To pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by our independent auditors;
- To review our risk exposures, the adequacy of related controls, and policies with respect to risk assessment and risk management;
- To oversee the integrity of our financial reporting processes and disclosure, including systems of control regarding finance, accounting, compliance with legal and regulatory requirements, and information systems;
- To hire, determine the compensation of, evaluate the performance of and determine whether to retain the Senior Vice President — General Auditor;
- To assess the effectiveness of the internal auditors; and
- To conduct an annual evaluation of the committee's performance.

The Audit Committee is composed of the following four directors: Richard Karl Goeltz, Shaun F. O'Malley, Stephen A. Ross, and William J. Turner. The Board has determined that each of these directors meets the independence requirements of the New York Stock Exchange listing standards and our Guidelines.

Mr. Goeltz is currently the Chairman of the Audit Committee and has been a member of the Audit Committee since March 31, 2004. The Board has determined that Mr. Goeltz has the requisite experience to qualify as an "audit committee financial expert" under the rules and regulations of the SEC and has designated him as such.

Management is responsible for the effectiveness of our internal controls over financial reporting and the preparation of our consolidated financial statements in accordance with generally accepted accounting principles, or GAAP. Our independent auditors are responsible for performing an independent audit of our consolidated financial statements and for reporting, based on the results of their audit, whether the audited financial statements are fairly stated in conformity with GAAP. The

Audit Committee is responsible for overseeing the conduct of these activities and, subject to stockholder ratification, appointing our independent auditors. As stated above and in its charter (see Appendix B), the Audit Committee's role in this process is one of oversight. While the Audit Committee has the responsibilities and powers set forth in its charter, it is not the responsibility of the Audit Committee to prepare financial statements, or to determine that our financial statements and disclosures are complete and accurate and prepared in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management. It is also not the responsibility of the Audit Committee to plan or conduct the independent audit of the financial statements. These are the responsibilities of our independent auditors. In carrying out its oversight responsibilities, the Audit Committee is not providing any expert, professional or special assurance as to our financial statements or any professional certification. The Audit Committee relies on the information provided and representations made to it by management, and also on the reports on our consolidated financial statements that it receives from our independent auditors.

During the year ended December 31, 2003, the Audit Committee met 24 times. During the period January 1, 2004 to September 10, 2004, the Audit Committee met 18 times. The subcommittee of the Audit Committee, which assumed the functions of the Ad Hoc Committee on Financial Management in April 2004, met 12 times between April 23, 2004 and September 10, 2004.

In discharging its responsibilities relating to our internal controls, accounting and financial reporting policies and auditing practices, the Audit Committee discussed and reviewed with our independent auditors, PricewaterhouseCoopers, the overall scope and process for their audit. The Audit Committee regularly meets with PricewaterhouseCoopers, with and without management present, to discuss the results of their examinations, their observations about our internal controls and the overall quality of our financial reporting.

The Audit Committee has discussed with PricewaterhouseCoopers the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, *Communication with Audit Committees or Others with Equivalent Authority and Responsibility*. The Audit Committee also has received the written disclosures and the letter from PricewaterhouseCoopers that are required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed with PricewaterhouseCoopers their independence from Freddie Mac and our management. As part of this review, the Audit Committee has considered whether the provision of non-audit services by PricewaterhouseCoopers to Freddie Mac in 2003 was compatible with maintaining PricewaterhouseCoopers' independence, and determined that it was.

The Audit Committee has reviewed and discussed with management our audited consolidated financial statements as of and for the fiscal year ended December 31, 2003.

The Audit Committee has also met with members of senior management and internal tax, finance, legal, information systems and services and internal audit personnel to discuss and review, among other things, the results of internal audit examinations, the scope and resources for the internal audit function, the management of our risk exposures, OFHEO's annual report regarding our safety and soundness, the status of litigation and investigations in which we are involved, the status of our information security program, our compliance with legal and regulatory requirements, and directors' and employees' compliance with our Codes of Conduct.

Based on the reviews, reports and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements referred to above be included in our Information Statement and Annual Report for the year ended December 31, 2003.

In addition, the Audit Committee has approved the reappointment of PricewaterhouseCoopers as our independent auditors for fiscal year 2004, and has submitted the reappointment to the stockholders for ratification at this annual meeting. The Audit Committee pre-approved the terms of the audit services to be provided by our independent auditors for fiscal year 2004.

This report is respectfully submitted by the members of the Audit Committee of the Board.

Richard Karl Goeltz, *Chairman*
Shaun F. O'Malley
Stephen A. Ross
William J. Turner

EXECUTIVE COMPENSATION REPORT

The Compensation and Human Resources Committee is composed of four directors, each of whom is independent under the listing standards of the New York Stock Exchange. The CHRC met 9 times in 2003. During the period January 1, 2004 to September 10, 2004, the CHRC met 12 times. The current members of the CHRC are Messrs. McCoy (Chair), O'Malley and Poe and Ms. Engler.

Compensation Philosophy and Strategy

The principles of our executive compensation philosophy are:

- to provide an executive compensation program that attracts and retains high caliber executives; and
- to ensure that executive pay provides incentives for performance and results that are aligned with the long-term interests of our stockholders.

We implement this philosophy by compensating our executives competitively, rewarding our executives' annual and long-term performance, and providing our executives with an ownership stake in Freddie Mac.

For 2003, the CHRC determined our policies on executive compensation. The CHRC, with input from the other outside directors, determined the 2003 salary, annual bonus targets and stock compensation for the CEO and the Chief Operating Officer, including for Leland C. Brendsel as the then-Chairman and CEO, Gregory J. Parseghian as the then-CEO and President, and Richard F. Syron as Chairman and CEO. The CHRC also determined the 2003 salary, annual bonus targets and stock compensation for all other executive officers. The amount of the bonuses and stock compensation determined for Messrs. Brendsel and Parseghian for 2003 were based on their respective employment agreements as described below. Mr. Syron was hired on December 31, 2003 and, under the terms of his employment agreement, he did not receive an annual bonus for 2003 but did receive an initial equity grant. Mr. Brendsel did not receive a stock compensation award for 2003.

Methodology

In evaluating and setting compensation packages for 2003, the CHRC set compensation to be competitive with companies that were either in a similar line of business or were otherwise relevant for purposes of recruiting individuals with relevant skills and capabilities. The CHRC has retained and is assisted by a major global human resources consulting firm that provides executive compensation consulting to many Fortune 100 companies and has been external advisor to our Board on executive compensation matters since 1990. As a guideline for determining competitive market compensation, we examine aggregate executive compensation data from a group of companies we refer to as the Comparator Group, including a government-sponsored enterprise, major national and regional financial institutions, financial services companies and insurance companies. Various market surveys of direct compensation across companies in similar and other lines of business may be used as supplemental resources in determining competitive market compensation. In those cases in which these surveys do not identify positions comparable to certain of our positions, we set compensation targets based on a combination of our best estimates and the

relation of the position to other positions within Freddie Mac for which comparable positions in other companies are identified.

Total compensation for each executive officer is generally benchmarked at the median of the Comparator Group. For any individual executive, the CHRC considers performance and other factors when setting target compensation. This approach is consistent with the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, which requires that our executive compensation be reasonable and comparable with compensation for employment involving similar duties and responsibilities in other similar businesses.

Components of Compensation

Generally, there are three components of an executive's annual compensation package:

- salary;
- short-term incentives (*e.g.*, annual cash bonus); and
- long-term stock-based incentives.

Each component plays an important part in implementing our compensation philosophy.

From time to time, we may establish special retention programs to retain and reward critical personnel in specific circumstances. For example, in 2003, the CHRC established a critical personnel retention program primarily to recognize the magnitude of sacrifice and commitment to the restatement and remediation effort, and to retain key talent.

Salary

The salaries of our executive officers, including the CEO, are broadly based on salaries for comparable positions in the market. The CHRC also considers individual experience and past performance in the job. Salaries are reviewed annually for adjustment based on individual performance and relationship to market trends. In 2003, the salaries of our executive officers were comparable to the competitive market.

Annual Bonus

Our short-term incentive program seeks to motivate executives, including the CEO, to work effectively to achieve our annual corporate performance objectives and to reward them when those objectives are met. Bonus targets are set at a percentage of salary and are generally awarded based on an assessment of individual and corporate performance against the performance objectives for the year. For 2003, individual performance was based on whether an executive was determined to have achieved success during an extraordinary year, as discussed in "*Performance Against Objectives*" below.

Corporate Performance Objectives. Each year, the Board and the CHRC review the corporate plan and scorecard containing the performance objectives that will be used to assess corporate performance and to determine individual executives' annual bonuses for that year. The scorecard contains both performance thresholds and targets. Performance thresholds are minimum levels of acceptable performance that must be met for us to fund the bonus pool for the relevant performance area. In the case of a performance area that has performance thresholds, once the performance thresholds are attained, the bonus pool for the relevant performance area is funded based on our corporate performance against the performance targets. Bonus funding is determined on a graduated

scale based on the extent that our corporate performance is above, on or below the plan set out for the year, and provided we meet certain performance thresholds.

For 2003, our corporate scorecard included three performance areas and related objectives. The performance areas and objectives in 2003 were:

- **Financial**, which focused on completing the restatement;
- **Core capabilities**, which focused on interest-rate risk and credit risk management, low-cost financing, growth and quality of new business, human resource goals, and estimated creation of stockholder value due to retained portfolio transactions; and
- **Strategic positioning**, which focused on the achievement of key milestones in the remediation plan.

Performance Against Objectives. For purposes of determining bonuses for performance in 2003, Mr. Syron determined in January 2004 that our corporate performance in 2003 was “Low On Plan” because certain applicable targets were met while others were not. The bonus pool was funded based on Mr. Syron’s assessment of our corporate performance against the scorecard. Mr. Syron discussed his assessment and the bonus pool funding with the CHRC.

For 2003, Mr. Parseghian’s target bonus as CEO and President was set, and his actual bonus for 2003 was determined, in accordance with a formula set forth in his employment agreement. Pursuant to the terms of his employment agreement, Mr. Syron did not receive an annual bonus for 2003. See “Executive Compensation — Employment Agreements” below for more information regarding Messrs. Parseghian and Syron’s respective employment agreements.

For 2003, the target bonus for Mr. Brendsel was 125 percent of his base salary. Under the terms of Mr. Brendsel’s employment agreement, if his resignation is treated as termination for good reason, he will be entitled to a pro-rata bonus for 2003, with the amount determined under a formula set forth in the agreement. In December 2003, OFHEO filed a Notice of Charges against us to require us to convert Mr. Brendsel’s resignation to a termination for cause under his employment agreement and to prohibit us from making any payments to Mr. Brendsel that would exceed the payments to which he would be entitled if he had been terminated for cause under that agreement. Under termination for cause, Mr. Brendsel would not be entitled to any 2003 bonus. See “Executive Compensation — Employment Agreements — *Leland C. Brendsel*” below for more information.

For 2003, the determination of the amounts and the payment of other executive officers’ bonuses was delayed until after the release of our 2003 financial results on June 30, 2004, and was made at special meetings of the CHRC on July 7, 2004 and August 9, 2004. The CHRC generally determined the other executive officers’ bonuses based on our corporate performance against the scorecard and on individual performance. Executives who were determined to have achieved success during an extraordinary year received a bonus for 2003.

Annual Long-Term Stock Incentives

Our long-term incentive program is the component of compensation that most aligns executive compensation with the long-term interests of our stockholders. A significant portion of compensation for our executive officers is long-term.

Target levels for annual long-term incentive grants are expressed as a percentage of salary and are set each year based on individual performance during the prior performance year after a review of the market compensation data.

The mix of stock-based incentives is determined in part based on market comparison data. However, we generally pay a greater share of stock incentives in the form of restricted stock or restricted stock units than members of our Comparator Group. The intent of this approach is to ensure a commitment to the long-term interests of our stockholders through stock ownership. A restricted stock unit represents a conditional contractual right to receive one share of Freddie Mac common stock at a specified future date. Restricted stock is Freddie Mac common stock subject to a risk of forfeiture and is not transferable during the forfeiture period.

Annual long-term incentive awards granted prior to 2004 generally vest in full on the fifth anniversary of the grant date. Restricted stock units and restricted stock (which was utilized prior to 2002), granted as part of the annual long-term incentive award, generally vest 100 percent on the fifth anniversary of the grant date. Stock options granted as part of the annual long-term incentive award generally vest over a period of five years, with no vesting occurring in the first year, followed by vesting at a rate of 25 percent on each of the second, third, fourth and fifth anniversaries of the grant date. After careful consideration, we decided to employ a different vesting schedule for annual long-term awards granted in 2004 and beyond. The stock options and restricted stock units granted as part of the 2004 annual long-term incentive award will generally vest over a four-year period, at the rate of 25 percent on each of the first, second, third and fourth anniversaries of the grant date. Our decision to use this vesting schedule for long-term incentive awards granted in 2004 and beyond was based in part on the recommendation of our external consultant and is consistent with our compensation philosophy and strategy, our evolving business and strategic goals, and data from our Comparator Group.

In December 2002, the CHRC, with input from other outside directors, set the 2003 annual long-term incentive award target for Mr. Brendsel. Normally, these stock awards would have been granted in March 2003. However, due to the restatement, management recommended that the CHRC defer the long-term incentive awards for the senior executives, including Mr. Brendsel, until the completion of the restatement. In June 2003, the CHRC consulted with the Board and determined that Mr. Brendsel would not receive a long-term incentive award for 2003. For the other executive officers who received a long-term incentive award for 2003, the CHRC determined the actual awards for 2003 in November 2003, after the release of the restated financial statements, rather than in March 2003, when the stock awards normally would have been granted. The stock-based awards granted to Messrs. Syron and Parseghian in 2003 are described below under “Executive Compensation — Employment Agreements.”

Restricted Stock Units. Beginning in 2002, the Board and the CHRC began granting restricted stock units in lieu of restricted stock as annual incentives to the executive officer group, including to the Chief Executive Officer. While both types of incentives result in the recipient holding freely transferable common stock once the restrictions lapse, in the case of restricted stock units, the underlying stock is not issued until the time restrictions lapse, at which time it is settled or, at the election of the grantee, deferred.

In awarding restricted stock units for the annual award in 2003, the CHRC first set the dollar value of the restricted stock units to be awarded. The number of restricted stock units awarded to each senior executive then is calculated by dividing the dollar amount of the award by the

discounted value of a share of our common stock on the date of grant. The discount reflects risk of forfeiture during the restricted period and is applied to the average of the high and low price of our common stock on the date of grant. The value of one restricted stock unit, as determined by the formula, was \$44.25, which is approximately 81.5 percent of the average of the high and low trading price of a share of common stock on November 26, 2003, the date of grant for awards made in 2003. Mr. Brendsel did not receive an award of restricted stock units in 2003.

The restricted stock units granted to the executive officers prior to 2004 generally vest on the fifth anniversary of the grant date and are settled by delivery of one share of our common stock for each restricted stock unit; however, for awards made to executive officers in 2003, vesting will occur in March 2008 rather than November 2008 in order to mirror the vesting schedule of the awards made to non-executives in March 2003. The restricted stock units granted to executive officers in August 2004 as part of the 2004 annual award generally vest over a period of four years; however, these grants will vest at a rate of 25 percent in August 2005 and 25 percent in each of April 2006, 2007 and 2008, respectively, in order to mirror the vesting schedule of awards made to non-executive officers in April 2004. Settlement generally occurs on the date of vesting unless an executive officer has elected under our Executive Deferred Compensation Plan to defer the settlement to a later date. See “Executive Compensation — Executive Deferred Compensation Plan” below for more information regarding the deferral of restricted stock units. In the event a cash dividend is declared and paid on our common stock, holders of restricted stock units will receive dividend equivalents paid out in cash promptly after the payment date for such dividend equal to the number of restricted stock units held by the executive multiplied by the dividend paid on each outstanding share of our common stock.

On December 31, 2003, Mr. Syron received an equity award of restricted stock units with an aggregate fair market value on that date of \$8,800,000, which was designed to partially compensate him for earnings foregone in order to join Freddie Mac. The restricted stock units will vest in three equal annual installments, beginning on the first anniversary of the date of grant. See “Executive Compensation — Employment Agreements — *Richard F. Syron*” below for more information on Mr. Syron’s award of restricted stock units and long-term incentive compensation.

Stock Options. To determine the number of stock options for the annual award in 2003, the CHRC first set the dollar amount of stock options to be awarded. On the date of the grant, that dollar amount was converted into a number of shares of common stock subject to the stock option pursuant to the Black-Scholes model for the valuation of stock options. Our application of this model resulted in a grant value for 2003 of \$22.79 per share based on an option exercise price of \$54.29, which was equal to the average of the high and low trading price of our common stock on the grant date. Footnote 2 to the 2003 table “Option Grants in the Last Fiscal Year” that follows this report under “Executive Compensation” reflects the Black-Scholes input that is consistent with our Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation,” or FAS 123, disclosure for grants made on November 26, 2003. Mr. Brendsel did not receive an annual award of stock options in 2003.

The stock options granted to the executive officers as part of the annual award prior to 2004 generally vest over a period of five years, with no vesting occurring in the first year, followed by vesting at the rate of 25 percent on each of the second, third, fourth and fifth anniversaries of the date of grant. However, the option grants made to executive officers in November 2003 will each vest on a slightly accelerated schedule, at the rate of 25 percent in each of March 2005, March 2006,

March 2007 and March 2008, respectively, in order to mirror the vesting schedule of awards made to non-executives in March 2003. The stock options granted to the executive officers in August 2004 as part of the 2004 annual award generally vest over a period of four years; however, these grants will vest at a rate of 25 percent in August 2005 and 25 percent in each of April 2006, 2007 and 2008, respectively, in order to mirror the vesting schedule of awards made to non-executive officers in April 2004. In the event that a cash dividend is declared and paid on our common stock, the option grantee will receive a dividend equivalent on each share of common stock underlying the option in the amount of the dividend per share declared and paid on our issued and outstanding shares of common stock. The dividend equivalents are accrued and are payable in cash upon exercise or expiration of the option.

Impact of IRS Limits on Deductibility of Compensation

We are not subject to the provisions of Section 162(m) of the Internal Revenue Code relating to the deductibility of executive compensation expenses. Consequently, the CHRC did not consider the qualification of certain items of executive compensation for deductibility under that Code section in establishing our compensation policy.

This report is respectfully submitted by the CHRC of the Board.

John B. McCoy, *Chairman*
Shaun F. O'Malley
Ronald F. Poe
Michelle Engler

EXECUTIVE COMPENSATION

Compensation Tables

Summary Compensation Table

The following table shows compensation earned in 2003, 2002 and 2001 by each person who served as Chief Executive Officer in 2003 and the four other most highly compensated executive officers in 2003, who are referred to collectively as our “named executive officers.”

In June 2003, at the Board’s request, Mr. Brendsel, our then-Chairman and Chief Executive Officer, resigned from Freddie Mac. In December 2003, OFHEO filed a Notice of Charges against us to require us to convert Mr. Brendsel’s termination from a termination for good reason to a termination for cause under his employment agreement and to prohibit us from making any payments to Mr. Brendsel that would exceed the payments to which he would be entitled if he had been terminated for cause under his employment agreement. Given the uncertainty as to how and when this issue will be resolved, the 2003 Summary Compensation Table below does not include severance benefits to which Mr. Brendsel will be entitled if his termination is ultimately determined to be termination for good reason and not for cause. See Footnote (4) to this table and “Employment Agreements — *Leland C. Brendsel*” below for more information.

Upon Mr. Brendsel’s resignation, Mr. Parseghian served as Chief Executive Officer and President through December 30, 2003. Prior to that, Mr. Parseghian was the Executive Vice President — Funding and Investments and Chief Investment Officer of Freddie Mac. In August 2003, the Board acceded to OFHEO’s directive to replace Mr. Parseghian as Chief Executive Officer and President, and Mr. Parseghian remained in that capacity until Mr. Syron joined us on December 31, 2003 as Chairman and Chief Executive Officer. On June 6, 2003, Mr. Peterson was promoted from Executive Vice President — Single Family Business to Executive Vice President — Chief Operating Officer, and Mr. Baumann was promoted from Executive Vice President — Finance to Executive Vice President — Finance and Chief Financial Officer. Mr. Peterson served as Executive Vice President — Chief Operating Officer through August 31, 2004, and Mr. McQuade was appointed President and Chief Operating Officer effective September 1, 2004.

In 2003, the Board established a critical personnel retention program, primarily to recognize the magnitude of sacrifice and commitment to the restatement and remediation effort and to retain key talent. To the extent that any of the named executive officers received amounts under this program, such amounts are as described under “Employment Agreements” below.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation		All Other Compensation ⁽⁴⁾
		Salary	Bonus ⁽¹⁾	Other Annual Compensation ⁽²⁾	Restricted Stock/Unit Awards ⁽³⁾	Securities Underlying Options (#)	
Richard F. Syron ⁽⁵⁾ Chairman of the Board and Chief Executive Officer	2003	\$ 4,231	\$ 0	\$ 99,000	\$8,809,819	0	\$ 0
	2002	N/A	N/A	N/A	N/A	N/A	N/A
	2001	N/A	N/A	N/A	N/A	N/A	N/A
Gregory J. Parseghian ⁽⁶⁾ Former Chief Executive Officer and President	2003	\$1,000,000	\$3,938,159	\$ 85,503	\$ 0	0	\$14,441,459
	2002	1,000,000	875,000	—	0	0	183,030
	2001	1,000,000	750,000	—	0	0	131,297
Leland C. Brendsel Former Chairman of the Board and Chief Executive Officer	2003	\$ 590,000	—	\$ 67,610	\$ 0	0	\$ 199,073
	2002	1,173,333	0	81,371	5,821,847	193,040	370,503
	2001	1,132,500	2,123,438	81,550	4,711,404	151,270	270,399
Paul Peterson ⁽⁷⁾ Former Executive Vice President and Chief Operating Officer	2003	\$1,646,800	\$ 427,500	—	\$ 483,715	17,280	\$ 239,308
	2002	445,833	780,208	—	340,217	20,940	125,585
	2001	416,667	729,167	—	269,872	16,080	86,841
Martin F. Baumann ⁽⁸⁾ Executive Vice President—Finance and Chief Financial Officer	2003	\$ 373,106	\$ 647,727	\$147,987	\$ 921,233	32,900	\$ 2,244
	2002	N/A	N/A	N/A	N/A	N/A	N/A
	2001	N/A	N/A	N/A	N/A	N/A	N/A
Nazir G. Dossani Senior Vice President— Investments and Capital Markets	2003	\$ 372,813	\$ 251,253	—	\$ 419,912	7,350	\$ 84,467
	2002	330,625	235,721	—	343,804	8,900	80,307
	2001	308,333	365,624	—	461,464	7,820	63,648
William Ledman Senior Vice President— Information Systems and Services	2003	\$ 446,667	275,817	—	\$1,228,173	17,280	\$ 110,684
	2002	427,500	444,600	—	278,771	17,150	105,077
	2001	412,500	496,031	—	219,772	13,090	85,918

(1) Bonuses for Messrs. Syron, Brendsel and Parseghian for 2003 were based on their respective employment agreements described below. Mr. Syron became Chairman and Chief Executive Officer on December 31, 2003, and he did not receive an annual bonus for 2003. Pursuant to his amended employment agreement, on January 2, 2004, Mr. Parseghian received a non-cash performance and retention incentive in common stock valued at a fair market value on November 26, 2003 of \$2,625,000. The dollar value reported in the above table with respect to Mr. Parseghian's bonus for 2003 includes (i) his non-cash performance and retention incentive reported as \$2,854,826, which is based on the fair market value of such incentive on the date of grant, January 2, 2004, and (ii) a 2003 cash bonus he received on February 2, 2004 in the amount of \$1,083,333. Under Mr. Brendsel's employment agreement, if his employment termination is ultimately treated as termination for good reason, his severance benefits will include a pro-rated bonus for 2003 equal to \$860,417. See Footnote (4) below. The bonus amount reported for Mr. Baumann includes a \$200,000 one-time cash sign-on bonus, which is subject to repayment under certain circumstances. Pursuant to the terms of the Funding and Investments Incentive Compensation Plan, Mr. Dossani received his 2003, 2002, and 2001 bonuses in a combination of cash, restricted stock and restricted stock units. The bonus amounts reported reflect the cash portion Mr. Dossani received for each such year. For 2003, Mr. Dossani received \$251,253 in cash and \$213,752 in restricted stock units. For 2002, Mr. Dossani received \$235,721 in cash and \$198,221 in restricted stock units. For 2001, Mr. Dossani received \$365,624 in cash and \$328,125 in restricted stock. The column labeled "Restricted Stock/Unit Awards" includes both the portion of the annual short-term incentive bonus that Mr. Dossani received in restricted stock and restricted stock units in each of 2003, 2002 and 2001, and the annual long-term restricted stock and restricted stock unit grants he received in each of those years. R. Mitchell Delk, who was one of the named executive officers in our Proxy Statement dated February 27, 2004, has been replaced by Mr. Dossani in this compensation table due to the inclusion in this table of 2003 bonuses which, with the exception of Messrs. Brendsel and Parseghian (whose bonus amounts were based on their respective employment agreements described below), were determined and paid out to executive officers

Executive Compensation

after the date of the last Proxy Statement. For additional information concerning Messrs. Syron, Parseghian, Brendsel, Peterson, Ledman and Baumann, see “Employment Agreements” below.

- (2) Some executives received certain perquisites from Freddie Mac. Amounts shown represent special life and long-term disability insurance premiums, fringe gross-up associated with the long-term disability insurance premium, relocation pay, relocation gross-ups, home security systems, reimbursement of certain legal fees, and financial counseling. During 2003, 2002 and 2001, the cost of the perquisites furnished to each named executive officer, with the exception of Messrs. Syron, Parseghian, Brendsel and Baumann, did not exceed the lesser of \$50,000 or 10 percent of the sum of the salary and bonus of that executive officer as reported in the table. For Mr. Brendsel, the perquisite costs reported that exceed 25% of the total perquisite costs reported are special life insurance premiums of \$25,386, \$27,747, and \$22,725 and special long-term disability insurance premiums of \$38,124, \$28,315 and \$28,315 and fringe gross-up associated with the special long-term disability insurance premium of \$0, \$24,909 and \$24,909 for 2003, 2002 and 2001, respectively. We pay these premiums in a lump sum at the beginning of each calendar year. For Mr. Parseghian, the perquisite costs reported that exceed 25% of the total perquisite costs reported are payment of \$75,384 in legal fees in connection with the negotiation of our December 9, 2003 letter agreement with Mr. Parseghian to address Mr. Parseghian’s compensation as Chief Executive Officer and President between June 6, 2003 and December 30, 2003, and the negotiation of our January 3, 2004 agreement with Mr. Parseghian to address Mr. Parseghian’s compensation as a consultant between January 3, 2004 and April 2, 2004 to assist Mr. Syron in his transition to Chief Executive Officer. For Mr. Baumann, the perquisite costs reported that exceed 25% of the total perquisite costs reported are relocation pay of \$100,335 and relocation gross-up of \$47,652. For Mr. Syron, the perquisite costs reported are legal fees paid in connection with the negotiation of his employment agreement with us in 2003.
- (3) In awarding restricted stock and restricted stock units, we first set the dollar value of the restricted stock and restricted stock units to be awarded. For annual awards, the number of shares of restricted stock and restricted stock units awarded to each individual executive officer then is calculated by dividing the dollar amount of the award by the discounted value of our common stock on the date of grant. The discount reflects risk of forfeiture during the restricted period and is applied to the average of the high and low trading price of our common stock on the date of grant. For sign-on awards, short-term incentive plans in which the award may be delivered in restricted stock units or a combination of cash and restricted stock units, and other special non-recurring awards, the number of shares of restricted stock and restricted stock units awarded is calculated by dividing the dollar amount of the award by the average of the high and low trading price of our common stock on the date of grant. The dollar value reported in the above table is based on the closing price of our common stock on the date of grant multiplied by the number of shares of restricted stock or restricted stock units awarded. Mr. Syron’s equity award of restricted stock units was a sign-on award designed to partially compensate him for earnings foregone in order to join Freddie Mac. With the exception of Messrs. Syron and Parseghian, shares of restricted stock were granted on March 2, 2001, and restricted stock units were awarded on March 1, 2002 and November 26, 2003, under the 1995 Stock Compensation Plan. Additionally, Mr. Dossani received a restricted stock unit award on July 7, 2004 under the Funding and Investments Incentive Compensation Plan for his performance during calendar year 2003. The restricted stock and restricted stock units awarded to the named executive officers will generally vest on the fifth anniversary of the date of grant, except that (i) vesting on approximately 80 percent of Mr. Parseghian’s 2000 restricted stock and stock option grants that were to vest in 2005 was accelerated to January 2, 2004, in accordance with the terms of his employment agreement described below under “Employment Agreements — *Gregory J. Parseghian*,” (ii) the restricted stock units granted to Mr. Syron on December 31, 2003 will vest in three equal annual installments beginning on the first anniversary of the date of grant in accordance with the terms of his employment agreement described below in “Employment Agreements — *Richard F. Syron*,” and (iii) the restricted stock granted to Mr. Dossani in 2001 and the restricted stock units granted to Mr. Dossani

in 2002 and 2003 under the Funding and Investments Incentive Compensation Plan, will vest twenty-five percent on each of the first and second anniversaries of the grant date and fifty percent on the third anniversary of the grant date. In addition to the annual awards, Mr. Ledman received a special retention grant on December 5, 2003, which is described below in “Employment Agreements — *William Ledman*.”

Dividends are payable on restricted stock, and dividend equivalents on restricted stock units, to the same extent and in the same amounts as on our issued and outstanding shares of common stock. In the event a cash dividend is declared and paid on our common stock, the holder of the restricted stock will receive an amount of cash on restricted stock, and the holder of the restricted stock units will receive dividend equivalents paid out in cash on restricted stock units, promptly after the payment date for such dividends equal to the number of shares of restricted stock and restricted stock units held by the executive multiplied by the dividend paid on each outstanding share of our common stock. Restricted stock additionally has voting rights. Restricted stock units do not have voting rights since they are not considered legally issued or outstanding shares.

The value and number of restricted stock and restricted stock units held by each named executive officer at December 31, 2003 is as follows:

	Number of Restricted Shares and/or Restricted Stock Units	Dollar Value
Mr. Syron	151,060	\$ 8,809,819
Mr. Parseghian	214,240	12,494,477
Mr. Brendsel	0	0
Mr. Peterson	49,720	2,899,670
Mr. Baumann	16,950	988,524
Mr. Dossani	21,120	1,231,718
Mr. Ledman	37,480	2,185,834

As stated above, in December 2003, OFHEO filed a Notice of Charges against us to require us to convert Mr. Brendsel’s termination to a termination for cause under his employment agreement and to prohibit us from making any payments to Mr. Brendsel that would exceed the payments to which he would be entitled if he had been terminated for cause under his employment agreement. Notwithstanding the uncertainty as to how and when this issue will be resolved, the table above reflects the effect of Mr. Brendsel’s termination on the 314,210 restricted stock and restricted stock units subject to restrictions held by Mr. Brendsel as of his employment termination date. If his employment termination is ultimately treated as termination for good reason, these restrictions will have lapsed on the date of his employment termination and he will have held no restricted stock or restricted stock units as of December 31, 2003, as those shares of restricted stock and restricted stock units will have become freely transferable shares of our common stock. Likewise, if his employment termination is ultimately treated as termination for cause, all restricted stock and restricted stock units subject to restrictions on the date of his employment termination will have been forfeited and he will have held no restricted stock or restricted stock units as of the same date. For more information concerning Mr. Brendsel’s severance benefits and the litigation between OFHEO and Mr. Brendsel, see “Employment Agreements — *Leland C. Brendsel*” below.

- (4) The 2003 figures include (i) basic and matching contributions made by us to our tax-qualified Thrift/401(k) Savings Plan in fiscal 2003, and (ii) allocations pursuant to the 401(k) Make Up Contribution of our non-qualified supplemental executive retirement plan, or SERP, as follows:

	Thrift / 401 (k) Savings Plan Contributions	SERP Allocations
Mr. Syron	\$ 0	\$ 0
Mr. Parseghian	4,182	125,413
Mr. Brendsel	9,232	155,208
Mr. Peterson	18,302	129,612
Mr. Baumann	0	0
Mr. Dossani	6,441	60,691
Mr. Ledman	18,302	71,917

For additional information regarding the SERP, see “Pension Plan, Excess Benefit Plan and Supplemental Executive Retirement Plan” below.

Employees who have purchased additional vacation may not carry over any vacation. Those employees that purchase vacation and do not take all of their vacation are paid out for up to five days of accrued vacation that remains unused by year-end (prorated for eligible part-time employees). This payout occurs by December 31 of each year. Typically, any unused vacation days in excess of five paid out are forfeited (excluding employees in Illinois and California). An exception was made to the five-day payout rule for all employees in 2003 and, therefore, employees were paid out in excess of five days. The 2003 figures for Mr. Peterson include payout of unused vacation purchased in the amount of \$71,379.

Additionally, the 2003 figures for Messrs. Parseghian, Brendsel, Baumann, Dossani, Peterson and Ledman include FlexDollars of \$39,638, \$34,633, \$2,244, \$17,335, \$20,014 and \$20,464, respectively. The 2002 figures for Messrs. Parseghian, Brendsel, Dossani, Peterson and Ledman include FlexDollars of \$39,638, \$66,958, \$18,542, \$20,432 and \$20,098, respectively. The 2001 figures for Messrs. Parseghian, Brendsel, Dossani, Peterson and Ledman include FlexDollars of \$39,653, \$43,376, \$17,839, \$18,762 and \$19,598, respectively. FlexDollars are provided to all employees as part of our flexible benefits program and are used to offset costs relative to medical insurance, dental insurance, vision insurance, group term life insurance, accidental death and personal loss insurance, and vacation purchase. Any unused FlexDollars are payable as taxable income.

As stated above, in December 2003, OFHEO filed a Notice of Charges against us to require us to convert Mr. Brendsel’s termination to a termination for cause under his employment agreement and to prohibit us from making any payments to Mr. Brendsel that would exceed the payments to which he would be entitled if he had been terminated for cause under his employment agreement. Given the uncertainty as to how and when this issue will be resolved, the Summary Compensation Table does not include Mr. Brendsel’s severance benefits. If his employment termination is ultimately treated as termination for good reason with a termination date of July 6, 2003, his “All Other Compensation” for 2003 will include an additional amount of \$22,388,984, which consists of severance benefits under his employment agreement equal to:

- continued payment of base salary for a period of 24 months following his termination in the amount of \$1,180,000 a year (\$2,360,000 in the aggregate) and payment of pro-rata bonus for 2003 in the amount of \$860,417;
- accelerated vesting of 410,108 previously unvested stock options with an aggregate intrinsic value (*i.e.*, the amount by which the closing price of the underlying stock on July 7, 2003 exceeded the exercise price of the option) of \$1,142,663;

- aggregate value of dividend equivalents on these previously unvested stock options equal to \$721,568;
- accelerated vesting of 314,210 previously unvested shares of restricted stock and restricted stock units relating to common stock with an aggregate fair market value of \$17,124,445 as of July 7, 2003; and
- the value, based on 2004 coverage rates (*i.e.*, the aggregate incremental cost to us), of health care and life insurance coverage for 60 months equal to \$179,891.

The closing price of our common stock on July 7, 2003 (the next business day after what would be deemed Mr. Brendsel's termination for good reason date of July 6, 2003, which was a Sunday) was used to determine the aggregate value of the equity awards described above. However, if his employment termination is ultimately treated as termination for cause, Mr. Brendsel will receive no severance benefit under his employment agreement. In early 2004, Mr. Brendsel filed suit against OFHEO challenging OFHEO's authority to withhold the various employment benefits from Mr. Brendsel pending resolution of this issue. On May 28, 2004, Mr. Brendsel, with OFHEO's consent, exercised 80,560 of his 542,342 vested but unexercised stock options. These 80,560 options were granted to Mr. Brendsel on June 3, 1994 and were scheduled to expire on June 2, 2004. We have been holding the net proceeds from this transaction and have been accounting for them separately from other Freddie Mac assets pending resolution of Mr. Brendsel's dispute with OFHEO. For more information on Mr. Brendsel's severance benefits, his 2004 option exercise, and the litigation between OFHEO and Mr. Brendsel, see below under "Employment Agreements — *Leland C. Brendsel*."

Upon the termination of Mr. Parseghian's employment in January 2004 and in accordance with his 2000 employment agreement, as amended by a December 9, 2003 letter agreement, Mr. Parseghian is entitled to certain severance benefits. His "All Other Compensation" for 2003 includes an additional amount of \$14,272,226, which consists of severance benefits equal to:

- continued payment of base salary for a period of 18 months following his termination in the amount of \$1,000,000 a year (\$1,500,000 in the aggregate);
- accelerated vesting of 189,900 previously unvested stock options with an aggregate intrinsic value (*i.e.*, the amount by which the closing price of the underlying stock on January 2, 2004 exceeded the exercise price of the option) of \$2,132,577;
- aggregate value of dividend equivalents on these previously unvested stock options equal to \$564,003;
- accelerated vesting of 171,900 previously unvested shares of restricted stock relating to common stock with an aggregate fair market value of \$10,052,712 as of January 2, 2004; and
- the value, based on 2004 coverage rates (*i.e.*, the aggregate incremental cost to us), of health care and life insurance coverage for 18 months equal to \$22,934.

The closing price of our common stock on January 2, 2004 (Mr. Parseghian's termination date) was used to determine the aggregate value of the above equity awards. We briefly describe Mr. Parseghian's severance benefits below under "Employment Agreements — *Gregory J. Parseghian*."

- (5) Mr. Syron became Chairman and Chief Executive Officer on December 31, 2003. Mr. Syron's compensation figures for 2003 reflect the terms of his employment agreement, which is described below under "Employment Agreements — *Richard F. Syron*." The salary amount attributable to his one-day of employment in 2003 is \$4,231 based on an annual salary of \$1,100,000.
- (6) Mr. Parseghian's compensation figures for 2003 reflect the terms of his employment agreement, which is described below under "Employment Agreements — *Gregory J. Parseghian*." Mr. Parseghian served as Chief Executive Officer and President from June 6, 2003 through December 30, 2003. Prior to that, Mr. Parseghian was Executive Vice President—Funding and Investments and Chief Investment Officer.

Executive Compensation

- (7) Mr. Peterson served as Executive Vice President and Chief Operating Officer from June 6, 2003 through August 31, 2004. Prior to that, Mr. Peterson was Executive Vice President — Single Family Business and his base salary for 2003 was \$450,000. In connection with his appointment and duties as Chief Operating Officer, from June 6, 2003 to August 31, 2004, Mr. Peterson was provided with a supplemental monthly cash payment of \$176,000 in addition to his base salary of \$450,000.

For a description of the terms of Mr. Peterson's employment termination agreement, see "Employment Agreements — *Paul Peterson*" below.

- (8) Mr. Baumann's compensation figures for 2003 reflect the terms of his employment agreement, which is described below under "Employment Agreements — *Martin F. Baumann*." Mr. Baumann was hired on April 2, 2003 as Executive Vice President — Finance. On June 6, 2003, he was appointed Chief Financial Officer.

Option Grants for the Last Fiscal Year

The following table presents additional information concerning the option awards shown in the Summary Compensation Table for fiscal year 2003. These options to purchase our common stock were granted to the named executive officers under our stockholder-approved 1995 Stock Compensation Plan.

Name	Number of Securities Underlying Options Granted ⁽¹⁾	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date	Grant Date Present Value ⁽²⁾
Richard F. Syron	0	N/A	N/A	N/A	N/A
Gregory J. Parseghian	0	N/A	N/A	N/A	N/A
Leland C. Brendsel	0	N/A	N/A	N/A	N/A
Paul Peterson	17,280	1.43%	\$54.295	November 25, 2013	\$393,972
Martin F. Baumann	32,900	2.72%	\$54.295	November 25, 2013	\$750,097
Nazir G. Dossani	7,350	0.61%	\$54.295	November 25, 2013	\$167,575
William Ledman	17,280	1.43%	\$54.295	November 25, 2013	\$393,972

(1) The options granted will vest over five years, with no vesting in the first year, and followed by vesting at the rate of 25 percent in each of March 2005, March 2006, March 2007 and March 2008. The options have dividend rights that entitle the grantee to dividend equivalents on each share underlying the option equal to the dividend per share declared and paid on our issued and outstanding shares of common stock. The dividend equivalents are accrued and are payable upon exercise or expiration of the options.

(2) The options are valued pursuant to a Black-Scholes valuation model, applied to reflect the following market factors and plan design features:

- A stock price volatility assumption, which refers to the daily fluctuations of expected future stock returns over the expected option life. We applied a volatility rate of 32.1 percent.
- A rate of return assumption. We applied a 3.79 percent risk-free rate of return, which is equal to the rate of interest payable on seven-year Treasury securities on the date of grant. We use the seven year Treasury security rate because we anticipate the expected option life to be seven years.
- A dividend yield assumption of zero percent, since options granted under the employee and directors' stock compensation plans include dividend rights.
- A time of exercise assumption. We used an anticipated expected option life of seven years.

Aggregated Option Exercises in the Last Fiscal Year and Fiscal Year-End Option Values

The following table shows information concerning the aggregate number of shares underlying options exercised by each of the named executive officers during 2003 and the number and value of unexercised stock options, both exercisable and unexercisable, as of December 31, 2003.

Name	Shares Acquired on Exercise (number of shares)	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2003 <i>Exercisable / Unexercisable</i>	Value of Unexercised In-the-Money Options at December 31, 2003 ⁽¹⁾ <i>Exercisable / Unexercisable</i>
Richard F. Syron	0	\$ 0	0/0	\$ 0/\$0
Gregory J. Parseghian	0	\$ 0	0/236,710	\$ 0/\$2,604,994
Leland C. Brendsel ⁽²⁾	25,048	\$ 1,011,173	542,342/410,108	\$13,459,955/\$1,469,573
Paul Peterson	0	\$ 0	33,192/62,078	\$ 401,424/\$231,996
Martin F. Baumann	0	\$ 0	0/32,900	\$ 0/\$130,284
Nazir G. Dossani	0	\$ 0	17,592/29,238	\$ 225,906/133,846
William Ledman	0	\$ 0	61,376/56,568	\$ 1,515,537/\$242,968

(1) The value of the shares underlying the options is calculated on a grant by grant basis equal to the product of the number of unexercised options at the end of 2003 multiplied by the difference between the exercise price for the grant and the year-end fair market value of our common stock of \$58.26 (equal to the average of the high and low trading price of our common stock on December 31, 2003), excluding grants for which the difference is less than zero.

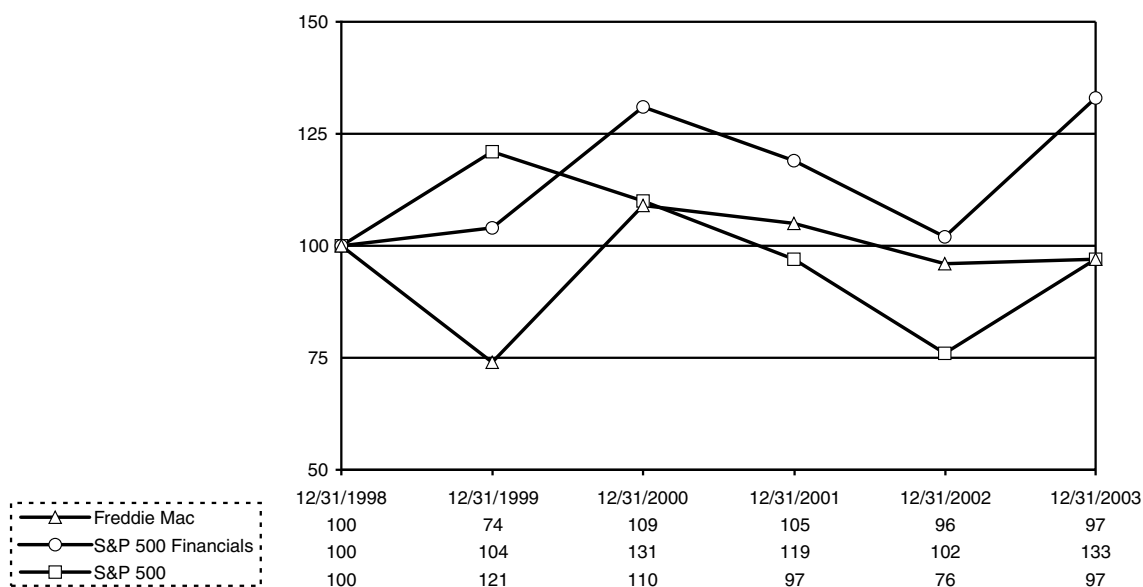
(2) The options granted to Mr. Brendsel will have vested immediately upon employment termination under the terms of his employment agreement if his termination is ultimately treated as termination for good reason. As stated above, in December 2003, OFHEO filed a Notice of Charges against us to require us to convert Mr. Brendsel's termination from a termination for good reason to a termination for cause under his employment agreement and to prohibit us from making any payments to Mr. Brendsel that would exceed the payments to which he would be entitled if he had been terminated for cause under his employment agreement. If his employment termination is ultimately treated as termination for cause, all unvested stock options on the date of employment termination will have been forfeited. In early 2004, Mr. Brendsel filed suit against OFHEO challenging OFHEO's authority to withhold the various employment benefits from Mr. Brendsel pending resolution of this issue. On May 28, 2004, Mr. Brendsel, with OFHEO's consent, exercised 80,560 of his 542,342 vested but unexercised stock options referred to above which were scheduled to expire on June 2, 2004. We have been holding the net proceeds from this transaction and have been accounting for them separately from other Freddie Mac assets pending resolution of Mr. Brendsel's dispute with OFHEO. For more information concerning Mr. Brendsel's severance benefits, his May 2004 option exercise and the litigation between Mr. Brendsel and OFHEO, see "Employment Agreements — *Leland C. Brendsel*" below.

Stock Performance Graph

The following graph compares the five-year cumulative total stockholder return on our common stock with that of (1) the S&P 500 Index and (2) the S&P 500 Financials Index. On January 1, 2002, the composition of the S&P Financials Index was modified. Historical data has been recalculated to reflect this change. The table does not forecast performance of our common stock.

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COMPARATIVE CUMULATIVE TOTAL STOCKHOLDER RETURN



- Assumes \$100 invested in Freddie Mac common stock, S&P 500 Financials Index and S&P 500 Index on December 31, 1998.
- Total return calculations assume annual dividend reinvestment.

Executive Deferred Compensation Plan

The 2002 Executive Deferred Compensation Plan is an unfunded, non-qualified plan that allows certain key employees to elect to defer their annual salary and cash bonus and certain key management employees to defer the settlement of restricted stock units received from Freddie Mac for any number of years specified by the employee, except that the period elected cannot exceed the employee's life expectancy. Elections under the Executive Deferred Compensation Plan with respect to salary and cash bonus generally must be made by December 31 of the year preceding the year for which election is made. Elections with respect to restricted stock units must be made within 30 days of the grant date and at a time that the restricted stock units remain unvested. Deferred salary, cash bonus and stock units are credited to employees' accounts as of the date the amounts or units would have otherwise been paid to or settled by delivery of shares to the employee. Deferred salary and bonus are credited with interest compounded daily at the rate of (1) one percent per annum in excess of the prime rate as reported by *The Wall Street Journal* on the first business day of each calendar year during the deferral period or (2) such other rate as is determined by the CHRC. In 2003, interest was credited at the rate of 5.25 percent which was based on the prime rate on January 2, 2003 of 4.25 percent plus one percent. In 2004, interest is being credited at a rate of 5.00 percent which is based on the prime rate on January 2, 2004 of 4.00 percent plus one percent. In the event a cash dividend is declared and paid on our common stock, an amount of cash will be

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paid to the employee promptly after the payment date for the cash dividend equal to the number of deferred stock units held by the employee multiplied by the cash dividend per share paid on our common stock. In the event that a dividend is declared and paid in a form other than cash, deferred stock units are credited with dividend equivalents, to be reinvested in additional deferred stock. Subject to provisions for hardship withdrawals and certain terminations of employment, deferred distributions are payable at the end of the deferral period in lump sums or in reasonably equal installments over five, ten or 15 years.

Pension Plan, Excess Benefit Plan and Supplemental Executive Retirement Plan (SERP)

The following table shows estimated annual benefits payable from our tax-qualified pension plan, non-qualified excess benefit plan and the restoration portion of the non-qualified SERP (which we collectively refer to as the Pension Plan for purposes of the table and footnotes immediately below) upon retirement (estimated at age 65) and calculated in accordance with the Pension Plan formula currently in effect for specified years-of-service and compensation classes. The excess benefit plan and the SERP are designed to provide designated participants with the full amount of benefits to which they would have been entitled under the tax-qualified pension plan (which in the case of the SERP is known as the “Restoration Benefit”) and Thrift/401(k) Savings Plan (which in the case of the SERP is known as the “Make Up Contribution”) in the absence of limits on benefit levels imposed by the Internal Revenue Code and the exclusion of deferred amounts under the Executive Deferred Compensation Plan from the tax-qualified plans. Under the SERP, if the participant’s employment terminates (for reason other than death, disability or retirement), then the 401(k) Make Up Contribution of the SERP is paid over three annual installments, the first installment within 90 days after the end of the calendar year in which such termination of employment occurs, and the second and third installments following the end of the next two (2) succeeding years. The Restoration Benefit is payable as a single life annuity at age 65, although the CHRC may, upon request and in its sole discretion, direct that a payment be made in the form of three annual installments on the schedule mentioned in the preceding sentence. For years prior to 1989, the tax-qualified pension plan benefit is reduced by Social Security payments. The values represented below are exclusive of the benefits received under the tax-qualified Thrift/401(k) Savings Plan and the 401(k) Make Up Contribution under the SERP benefit.

PENSION PLAN ESTIMATED ANNUAL BENEFITS⁽¹⁾⁽²⁾⁽³⁾

<u>Highest Average Annual Compensation</u>	<u>Years of Credited Service</u>				
	<u>15</u>	<u>20</u>	<u>25</u>	<u>30</u>	<u>35</u>
\$ 100,000	\$ 15,000	\$ 20,000	\$ 25,000	\$ 30,000	\$ 35,000
125,000	18,750	25,000	31,250	37,500	43,750
150,000	22,500	30,000	37,500	45,000	52,500
175,000	26,250	35,000	43,750	52,500	61,250
200,000	30,000	40,000	50,000	60,000	70,000
225,000	33,750	45,000	56,250	67,500	78,750
250,000	37,500	50,000	62,500	75,000	87,500
300,000	45,000	60,000	75,000	90,000	105,000
350,000	52,500	70,000	87,500	105,000	122,500
400,000	60,000	80,000	100,000	120,000	140,000
450,000	67,500	90,000	112,500	135,000	157,500
500,000	75,000	100,000	125,000	150,000	175,000
600,000	90,000	120,000	150,000	180,000	210,000
750,000	112,500	150,000	187,500	225,000	262,500
1,000,000	150,000	200,000	250,000	300,000	350,000
1,250,000	187,500	250,000	312,500	375,000	437,500
1,500,000	225,000	300,000	375,000	450,000	525,000
1,750,000	262,500	350,000	437,500	525,000	612,500
2,000,000	300,000	400,000	500,000	600,000	700,000
2,500,000	375,000	500,000	625,000	750,000	875,000

- (1) Benefits payable as a straight life annuity are shown above based on the benefit formula under the Pension Plan for service after 1988. Our tax-qualified pension plan has been amended over the course of the years and there are additional benefits provided based on service before 1989, including (i) accrued benefits under the prior pension plan as of December 31, 1988 and (ii) supplemental benefits under the current plan based on certain service before 1989, for which only Mr. Brendsel qualifies among our named executives. Pension benefits are subject to state and federal taxation. The pension benefits are not subject to deductions for Social Security, but are subject to withholding for retiree medical benefits if the employee is eligible and has elected the benefit.
- (2) The compensation covered by the Pension Plan is the participant's highest consecutive 36-month average compensation. Covered pay for the named executive officers as of December 31, 2003 was: Mr. Syron, \$0; Mr. Parseghian, \$1,541,667; Mr. Brendsel, \$2,509,957; Mr. Peterson, \$1,483,029; Mr. Baumann, \$0; Mr. Dossani, \$616,904; and Mr. Ledman, \$844,729. Because Mr. Syron and Mr. Baumann were hired on December 31, 2003 and April 2, 2003, respectively, neither had a 36-month covered pay amount or completed one year of eligibility service as of December 31, 2003. Covered pay is composed of base pay, overtime, commissions, corporate-wide annual bonus payment and shift differential paid during the applicable 36-month period.
- (3) As of December 31, 2003, Messrs. Syron and Baumann had no years of credited service under the Pension Plan; Mr. Parseghian had approximately 8 years of credited service; Mr. Brendsel had approximately 21 years of credited service; Mr. Peterson had approximately 15 years of credited service; Mr. Dossani had approximately 11 years of credited service; and Mr. Ledman had approximately 10 years of credited service.

Employment Agreements

Richard F. Syron

Mr. Syron was elected Chairman of the Board and Chief Executive Officer, effective December 31, 2003. The terms of his employment with us are governed by an employment agreement, which continues in effect until the earlier of December 31, 2008 or the occurrence of an event of termination. OFHEO has reviewed the terms of this agreement and has approved the termination benefits set forth in the agreement.

So long as Mr. Syron remains Chief Executive Officer, the Board will nominate him as a director and, provided he is elected as a director, will elect him to serve as Chairman of the Board of Directors. In addition to the customary duties of Chief Executive Officer and Chairman, Mr. Syron has agreed to actively assist us in developing a succession plan for his replacement as Chief Executive Officer prior to December 31, 2008. Upon the appointment of a successor, Mr. Syron will cease to be Chief Executive Officer and will remain Chairman of the Board through December 31, 2008.

Mr. Syron received on December 31, 2003 an initial equity award of restricted stock units related to common stock with an aggregate fair market value on that date of \$8,800,000. The restricted stock units will vest in three equal annual installments, beginning on the first anniversary of the date of grant.

Mr. Syron will receive an annual base salary of \$1,100,000, which amount may be increased in the discretion of the CHRC. In addition, beginning in calendar year 2004, he will have the opportunity to earn an annual cash bonus targeted at 120% of his base salary, subject to a maximum of 240% of his base salary. Mr. Syron is guaranteed a minimum annual bonus for performance year 2004 of \$1,320,000.

During each year of the term of the employment agreement starting in calendar year 2004, Mr. Syron also will receive an annual equity award with an aggregate value on the date of grant of \$8,800,000, of which at least 50% will be in the form of restricted stock units and the rest will be in the form of stock options. The CHRC may in its discretion award a higher percentage of restricted stock units. Under the agreement, the restricted stock units will vest on the fifth anniversary of the date of grant, and the options will generally vest in four equal annual installments beginning on the first anniversary of the date of grant; provided that the CHRC in its discretion may accelerate the vesting of the restricted stock units or options or provide for an accelerated vesting schedule. Pursuant to the CHRC's discretion, Mr. Syron's 2004 annual equity award, which was granted on August 9, 2004, will vest at a rate of 25% one year from the date of grant and 25% on April 1 of each of 2006, 2007 and 2008, consistent with the 2004 annual equity awards to senior officers.

Upon a change in control (as that term is defined in the employment agreement), any equity award granted to Mr. Syron at least twelve months prior to the change in control will immediately vest. Vested restricted stock units will be paid out immediately and vested options will remain exercisable until the expiration date of the options. Any equity awards granted less than twelve months prior to the change in control will be cancelled in consideration of our payment to Mr. Syron of \$8,800,000 in cash for each cancelled equity award.

During the term of the employment agreement, we will maintain, at our cost, term life insurance on the life of Mr. Syron for the benefit of his beneficiaries with a face amount equal to \$10,000,000. If Mr. Syron remains employed by us through December 31, 2008, upon the later to

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occur of December 31, 2008 and his turning 65, we will deliver to Mr. Syron a fully paid-up permanent life insurance policy with a face amount equal to \$4,000,000.

We will reimburse all relocation expenses reasonably incurred by Mr. Syron. Mr. Syron will be entitled to participate in all other compensation and employee benefit or perquisite programs generally available from time to time to our senior executives on the terms and conditions then prevailing under each such program.

In the event of termination of his employment prior to December 31, 2008 due to disability or death, we will pay Mr. Syron his base salary through the end of the month in which termination of employment occurs. We will pay any earned but unpaid bonus amounts from the most recently completed calendar year, plus a prorated percentage of Mr. Syron's target bonus for the calendar year in which employment termination occurs. Also, all restricted stock units awarded to Mr. Syron will immediately vest and be paid out and all options granted will become immediately exercisable. These options will remain exercisable: (i) in the event termination occurs as a result of death, until the earlier to occur of (a) the third anniversary of the employment termination or (b) the expiration date of the options, and (ii) in the event termination occurs as a result of disability, until the scheduled expiration date applicable to the options. In the event of termination due to disability, we will provide long-term disability benefits equal to 70 percent of Mr. Syron's base salary during the period beginning on the first day of the month that immediately follows the month in which the termination occurred through the earlier of December 31, 2008 or the date he no longer has a disability.

Subject to Mr. Syron's execution of a general release and waiver, in the event that Mr. Syron terminates his employment prior to December 31, 2008 for good reason or is terminated by us without cause (as those terms are defined in the employment agreement), we will pay Mr. Syron a lump sum cash payment equal to the base salary that would have been paid to him for the period beginning on the termination date and ending on December 31, 2008. We will pay any earned but unpaid bonus amounts from the most recently completed fiscal year. Also, we will pay Mr. Syron a lump sum cash payment equal to the sum of the target annual bonuses that would have been paid to him in respect of each calendar year that ends during the period beginning on the termination date and ending on December 31, 2008.

All restricted stock units awarded to Mr. Syron at least twelve months prior to the termination date will immediately vest and be paid out, and all options granted to Mr. Syron at least twelve months prior to the termination date will become immediately exercisable. All such options will remain exercisable until the earlier to occur of (i) three (3) years following such termination, or (ii) the expiration date of the options. All equity awards granted less than twelve months prior to the termination date will be cancelled in consideration of our payment to Mr. Syron of \$8,800,000 in cash for each cancelled equity award. If the termination occurs prior to the date on which we grant Mr. Syron his annual equity award for calendar year 2004, then in lieu of the grant, we will pay Mr. Syron a lump sum cash payment in the amount of \$8,800,000.

In addition, if he is not entitled to the "Restoration Benefit" under our SERP (as such benefit is defined in the plan) solely because he is not yet vested under our tax-qualified pension plan, then we will pay Mr. Syron the benefit that would have been payable to him under the SERP as of the date of the termination without regard to the vesting requirement, and he will be entitled to the Make Up Contribution (as defined in the SERP) in accordance with the terms of the SERP. We

will provide Mr. Syron and his family continued health and other similar welfare benefits coverage through December 31, 2008.

In the event that Mr. Syron's employment is terminated by us for cause prior to December 31, 2008, we will pay Mr. Syron any earned but unpaid base salary through the date of termination and any earned but unpaid bonus amounts from the most recently completed calendar year. All unvested equity awards will be immediately cancelled.

In the event that Mr. Syron terminates his employment following December 31, 2008 due to retirement and not for cause, all restricted stock units awarded to Mr. Syron will vest immediately but will be paid out at such time as the units would have vested and been paid out to him had his employment with us not been terminated. All options granted to Mr. Syron will become immediately exercisable and will remain outstanding until the expiration date of the options.

Mr. Syron is subject to non-competition and non-solicitation of employees restrictions following any termination of his employment for periods of two years and one year, respectively, following the termination.

Eugene M. McQuade

We entered into an employment agreement with Mr. McQuade, which provides for his employment as President and Chief Operating Officer effective September 1, 2004 for an initial term of three years, subject to automatic extension for successive one-year periods unless either party gives notice that such extension shall not occur. Under this agreement, the Board has also nominated Mr. McQuade for election as a member of the Board at this annual meeting. OFHEO has reviewed the terms of this agreement and has approved the termination benefits it provides.

The terms of his employment agreement provide Mr. McQuade with the following during his term of employment with us:

- An annual base salary of \$900,000, which amount may be increased in the discretion of the CHRC;
- A sign-on bonus of \$2,000,000 (however, if Mr. McQuade resigns for other than good reason (as defined in the employment agreement) or is terminated for cause (as defined in the employment agreement) during the initial three year term of his agreement, he is required to repay us an amount equal to \$2,000,000 multiplied by a fraction, the numerator of which is the number of days remaining in the initial three year term of his employment agreement and the denominator of which is 1,095);
- The opportunity to earn an annual cash bonus targeted at 100% of his base salary, subject to a maximum of 200% of his base salary, with a guaranteed minimum annual bonus in 2004 of \$400,000;
- An initial equity award of 92,650 restricted stock units related to common stock, vesting in three equal annual installments beginning on the first anniversary of the date of grant, unless the CHRC determines otherwise as described below;
- During each year of the term of the employment agreement beginning in calendar year 2005, an annual equity award with an aggregate value on the date of grant of \$6,000,000, of which at least 50% will be in the form of restricted stock units and the rest will be in the form of stock options. The CHRC may in its discretion award a higher percentage of

restricted stock units. The restricted stock units will vest on the fourth anniversary of the date of grant, and the options will vest in four equal annual installments beginning on the first anniversary of the date of grant, unless the CHRC determines otherwise as described below;

- Reimbursement of reasonable relocation expenses and participation in (i) all other incentive and other compensation programs generally available to senior executives, (ii) executive and employee benefit plans or programs at a level commensurate with his position and duties with Freddie Mac, and (iii) all special benefit or perquisite programs generally available from time to time to our Chief Executive Officer, all on the terms and conditions then prevailing under each such program; and
- At our cost, term life insurance on the life of Mr. McQuade for the benefit of his beneficiaries with a face amount of \$7,000,000, which will be converted to a fully paid-up permanent life insurance policy with a face amount of \$2,800,000 on the later to occur of the termination of his employment with us or his turning 60, if Mr. McQuade remains employed by us through both the scheduled termination date of the employment agreement and his turning 60.

The CHRC, in accordance with the terms of our stock compensation plan, will determine the exercise price of the stock options granted pursuant to the employment agreement. The vesting of Mr. McQuade's initial and annual equity-based compensation is subject to his continued employment with us. The CHRC in its discretion may accelerate the vesting of the restricted stock units or stock options or provide for an accelerated vesting schedule.

Upon a change in control (as that term is defined in the employment agreement), any equity award granted to Mr. McQuade at least twelve months prior to the change in control will immediately vest. Vested restricted stock units will be paid out immediately and vested options will remain exercisable until the scheduled expiration date applicable to the options. The initial equity award or any annual equity awards made less than twelve months prior to the change in control each will be cancelled in consideration of our payment to Mr. McQuade of \$6,000,000 in cash for each cancelled equity award.

Mr. McQuade may terminate his employment agreement for good reason if, among other things, any one or more of the following occurs without his prior written consent:

- A reduction in his then-current base salary or target or maximum annual bonus opportunity;
- A material diminution or change in his duties or responsibilities;
- A change in the reporting structure so that he reports to any person or entity other than the CEO or the Board;
- Someone other than Mr. McQuade is appointed to succeed Mr. Syron as CEO, except for the appointment of an interim CEO for a period not to exceed 6 months;
- Mr. McQuade is not appointed to succeed Mr. Syron as CEO by September 1, 2007;
- Mr. McQuade is not nominated by the Board for election to the Board or, if nominated, is not elected to the Board, at the next annual meeting; or

- We elect not to renew the term of the agreement at any time prior to December 31, 2014.

Subject to Mr. McQuade's execution of a general release and waiver, in the event his employment is terminated by him for good reason or by us without cause (as those terms are defined in the employment agreement):

- We will pay Mr. McQuade any accrued and unpaid base salary as well as any earned but unpaid bonus amounts from our most recently completed calendar year;
- We will pay Mr. McQuade a lump sum cash payment equal to the base salary and target bonuses that would have been paid to him for the longer of (a) one year and (b) the remaining term of his employment agreement (the "Severance Period");
- We will provide Mr. McQuade and his beneficiaries with continued coverage during the Severance Period under our medical, dental and other similar benefit plans in which they participated prior to the termination of his employment;
- If Mr. McQuade is not yet entitled to the "Restoration Benefit" under our non-qualified SERP (as that benefit is defined in the plan) solely because he is not yet vested under our tax-qualified pension plan at the time of such termination, we will pay Mr. McQuade the cash equivalent of the benefit that would have been payable under the SERP as of the date of termination without regard to the vesting requirement, and he will be entitled to the Make Up Contribution (as defined in the SERP) in accordance with the terms of the SERP;
- All restricted stock units awarded to Mr. McQuade at least twelve months prior to the termination of his employment will immediately vest and be paid out;
- All options granted to Mr. McQuade at least twelve months prior to the termination will become immediately exercisable until the earlier to occur of (i) three years following the termination or (ii) the scheduled expiration date applicable to the options; and
- The initial equity award or any annual equity awards made less than twelve months prior to the termination will be cancelled in consideration of our payment to Mr. McQuade of \$6,000,000 in cash for each cancelled equity award.

However, if Mr. McQuade resigns because he is not appointed to succeed Mr. Syron as CEO by September 1, 2007 or he otherwise resigns for good reason during 2007 because Syron ceases to be CEO and someone other than Mr. McQuade is appointed as his successor (other than an interim CEO as described above), then awards issued to Mr. McQuade in 2007 will not be subject to the accelerated vesting provisions described in the fifth, sixth and seventh bullets immediately above. In addition, if the termination is due to our decision not to renew the employment agreement, Mr. McQuade will be entitled to an additional year's service credit with respect to his unvested equity awards in lieu of the accelerated vesting provisions described immediately above.

In the event of termination of Mr. McQuade's employment prior to the scheduled termination date due to disability or death:

- We will pay his base salary through the end of the month in which termination of employment occurs;
- We will pay any earned but unpaid bonus amounts from the most recently completed calendar year, plus a prorated percentage of Mr. McQuade's target bonus for the calendar year in which employment termination occurs;
- All restricted stock units awarded to Mr. McQuade will immediately vest and be paid out;
- All options granted will become immediately exercisable, and remain exercisable: (i) in the event termination occurs as a result of death, until the earlier to occur of (a) the third anniversary of the employment termination, or (b) the scheduled expiration date applicable to the options, and (ii) in the event termination occurs as a result of disability, until the scheduled expiration date applicable to the options; and
- In the event of termination due to disability, we will provide long-term disability benefits equal to 70% of Mr. McQuade's base salary during the period beginning on the first day of the month that immediately follows the month in which the termination occurred through the earlier of the scheduled termination date of the employment agreement or the date he no longer has a disability.

In the event we terminate his employment for cause, we will pay Mr. McQuade any earned but unpaid base salary through the date of termination and any earned but unpaid bonus amounts from the most recently completed calendar year. Mr. McQuade will not be entitled to any portion of his bonus in the year in which employment termination occurs and all unvested equity awards will be immediately cancelled.

Mr. McQuade is subject to non-competition and non-solicitation of employees restrictions following any termination of employment for periods of two years and one year, respectively, following such termination. In the event that Mr. McQuade resigns for good reason or we terminate him without cause (as those terms are defined in the employment agreement), his non-competition restriction is limited to Fannie Mae.

Martin F. Baumann

We hired Mr. Baumann in April 2003 as Executive Vice President — Finance. In June 2003, he was appointed Chief Financial Officer. Under the terms of an offer letter dated March 18, 2003, Mr. Baumann received a base salary in 2003 of \$500,000 and the opportunity to earn short-term and long-term performance-based incentives. During 2003, Mr. Baumann had the opportunity to earn an annual cash bonus targeted at 120% of his base salary and a long-term performance-based incentive award targeted at 300% of his base salary. He also received a one-time sign-on bonus in the amount of \$200,000 and our executive relocation package. If Mr. Baumann resigns or we terminate his employment for Gross Misconduct (as defined in our officer severance policy) before the third anniversary of his employment date, he is required to repay a percentage of his sign-on bonus ranging from 66²/₃% of the sign-on bonus if he resigns or is terminated during the year prior to the

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second anniversary of his employment, to 33 $\frac{1}{3}$ % of the sign-on bonus during the year prior to the third anniversary of his employment.

On November 26, 2003, Mr. Baumann received an initial equity award of restricted stock units with an aggregate value on the date of grant of \$921,233, and options for 32,900 shares of stock with an aggregate value on the date of grant of \$750,097. The restricted stock units granted will vest in one lump sum, or 100 percent, on March 6, 2008, and the stock options granted will vest at the rate of 25 percent each in March 2005, March 2006, March 2007 and March 2008, subject to Mr. Baumann's continued employment. The closing price of our common stock on November 26, 2003 was used to determine the aggregate value of the above restricted stock unit award. The aggregate value of the above stock option award is consistent with the value disclosed in the table "Option Grants in Last Fiscal Year."

In October 2003, Mr. Baumann entered into a letter agreement with us that sets forth his cash compensation for calendar years 2004 and 2005. For each of 2004 and 2005, we agreed to:

- Increase Mr. Baumann's base salary of \$500,000 by not less than 3 percent per year; and
- Pay a short-term incentive cash bonus of not less than 120 percent of his base salary.

The agreement also provides that if we terminate Mr. Baumann other than for Gross Misconduct (as that term is defined in our officer severance policy) prior to December 31, 2005, he will receive a lump sum cash severance payment equal to his base salary for 2004 and 2005 plus a minimum bonus equal to 120 percent of base salary for 2004 and 2005, less any salary and bonus for 2004 or 2005 we previously paid to Mr. Baumann. If Mr. Baumann resigns or we terminate his employment for Gross Misconduct, he will receive no severance benefit under this agreement. This severance benefit is in addition to any other severance benefits to which Mr. Baumann would otherwise be entitled under our officer severance policy, which could include an additional amount equal to 12 months of base salary under certain circumstances. The term of the agreement ends on December 31, 2005. The termination benefits of the agreement have been approved by OFHEO.

William Ledman

We entered into a critical personnel retention agreement with Mr. Ledman on December 8, 2003. Under the agreement, we will pay Mr. Ledman total 2-year guaranteed cash compensation, or the Guaranteed Cash Compensation, for performance years 2004 and 2005 of \$1,485,000. Under the agreement, Mr. Ledman also received a one-time grant of restricted stock units with an aggregate value on the grant date of \$742,500, or the One-Time Grant.

If we terminate Mr. Ledman other than for poor work performance, neglect of job duties, violation of our employee Code of Conduct or other applicable company policies and/or Gross Misconduct (as defined in our officer severance policy) on or before December 31, 2005, he will receive cash severance equal to the Guaranteed Cash Compensation less any 2004 and 2005 salary and short-term incentive bonus already paid to Mr. Ledman. We also will pay him the cash value of a pro rata portion of the One-Time Grant based on the number of months that Mr. Ledman worked for us during calendar years 2004 and 2005. We will determine, in our sole discretion, the valuation methodology for translating the One-Time Grant into a cash payment for this purpose. If Mr. Ledman resigns or we terminate his employment for any of the reasons cited above, he will receive no severance benefit under the agreement. This severance benefit is in addition to any other

severance benefits to which Mr. Ledman would otherwise be entitled under our officer severance policy, which could include an additional amount equal to 12 months of base salary under certain circumstances. The termination benefits of the agreement have been approved by OFHEO.

Paul Peterson

Mr. Peterson served as our Chief Operating Officer through August 31, 2004. On August 13, 2004, we entered into a termination of employment agreement with Mr. Peterson. Pursuant to that agreement, Mr. Peterson executed a general release and waiver and, following the termination of his employment, he is subject to a three-year non-competition covenant with certain specified banking and financial services institutions, a one-year non-competition covenant with certain specified consulting companies and a three-year non-solicitation of employees covenant.

The termination of employment agreement provides that Mr. Peterson will serve as a Senior Advisor to the Chairman and Chief Executive Officer between September 1, 2004 and March 31, 2005 at an annualized base salary of \$450,000. Mr. Peterson will also receive a short-term incentive payment attributable to 2004 performance in the amount of \$450,000, subject to his execution on March 31, 2005 of a second general release and waiver covering the period between August 13, 2004 (the date of his first general release and waiver) and March 31, 2005 (the date that his employment with us terminates).

Subject to Mr. Peterson's execution of the second general release and waiver and adherence to his non-competition and non-solicitation obligations, the termination of employment agreement also provides, upon his termination, for a change in the treatment of three equity grants (collectively, the "grants") made to Mr. Peterson during his employment:

- a March 2, 2001 grant of 4,040 shares of restricted stock, or the March 2, 2001 grant;
- a March 1, 2002 grant of 5,260 restricted stock units, or the March 1, 2002 grant; and
- a November 26, 2003 grant of 8,900 restricted stock units, or the November 26, 2003 grant.

The original terms of the grants provide, in part, that upon Mr. Peterson's Retirement (as that term is defined in the 1995 Stock Compensation Plan) he would forfeit any unvested restricted stock or restricted stock units unless the CHRC exercised its discretion to provide for the immediate vesting of any unvested restricted stock or restricted stock units. The termination of employment agreement amends that term of the grants to provide that upon Mr. Peterson's Retirement, the grants will continue to vest based on the otherwise applicable vesting schedule.

Pursuant to the terms of Mr. Peterson's February 21, 2002 Election Form for Deferral of Restricted Stock Units (pertaining to the March 1, 2002 grant) and January 1, 2004 Election Form for Deferral of Restricted Stock Units (pertaining to the November 26, 2003 grant) (collectively, the "Deferral Elections"), we had previously agreed with Mr. Peterson to defer settlement of the grants with distribution to commence thirty days following Retirement (as defined in the Executive Deferred Compensation Plan) in fifteen and in ten equal annual installments, respectively. In light of the revised term of the March 1, 2002 grant and of the November 26, 2003 grant to continue vesting based on the otherwise applicable vesting schedule upon Mr. Peterson's Retirement, the CHRC, with Mr. Peterson's concurrence, revised the Deferral Elections to commence distribution

Executive Compensation

of each of the March 1, 2002 grant and the November 26, 2003 grant upon the completion of the revised vesting schedule for those grants.

In addition, pursuant to the terms of our Officer Severance Policy, the employment termination agreement provides that Mr. Peterson will receive severance in an amount equal to his annualized base salary of \$450,000.

The termination benefits of the employment termination agreement are subject to the approval of OFHEO.

Gregory J. Parseghian

Mr. Parseghian was elected Chief Executive Officer and President on June 6, 2003. In August 2003, the Board acceded to OFHEO's directive to replace Mr. Parseghian as Chief Executive Officer and President, and Mr. Parseghian remained in that capacity until Mr. Syron's election as Chairman of the Board and Chief Executive Officer on December 31, 2003. Mr. Parseghian's employment was terminated in January 2004.

On June 1, 2000, we entered into an employment agreement with Mr. Parseghian. Mr. Parseghian's 2000 employment agreement guaranteed a base salary of \$1,000,000 and provided a potential short-term incentive payment based on performance through December 31, 2005. Under the 2000 employment agreement, Mr. Parseghian also received grants of 214,240 shares of restricted stock and stock options to purchase 236,710 shares of common stock that were to vest on December 31, 2005, or the 2000 Award, and a second grant of 42,330 shares of restricted stock that vested on June 2, 2002. The 2000 employment agreement was amended on December 9, 2003 with a letter agreement to address Mr. Parseghian's compensation as Chief Executive Officer and President.

For 2003, Mr. Parseghian's target bonus was 108.33% of his base salary earnings. His actual bonus for 2003 was determined by multiplying the target bonus by a fraction, the numerator of which was the number of months during 2003 that Mr. Parseghian served as Executive Vice President — Funding and Investments plus the number of months that he served as Chief Executive Officer during which we satisfied the Board-established risk limit criteria, and the denominator of which was the number of months Mr. Parseghian served as Executive Vice President — Funding and Investments plus the number of months he served as Chief Executive Officer. On February 2, 2004, Mr. Parseghian received his 2003 bonus, which was equal to 100 percent of his target bonus, in the amount of \$1,083,333.

In addition, Mr. Parseghian received a grant of 48,350 shares of common stock on January 2, 2004, which was equal to \$2,625,000 divided by \$54.295 (the fair market value of our common stock on November 26, 2003). Under the terms of the amended employment agreement, Mr. Parseghian agreed not to sell or otherwise dispose of the shares, other than to pay withholding taxes, for a period of six months after January 2, 2004.

In accordance with his amended employment agreement, upon termination of his employment in January 2004, which for purposes of severance benefits is deemed termination by us for reasons other than "Gross Misconduct" (as such term is defined in his 2000 employment agreement), Mr. Parseghian received accelerated vesting with respect to 80.22 percent of the 2000 Award, which was scheduled to vest on December 31, 2005. The vested options granted under the 2000 Award will

remain exercisable during the 21 months immediately following the date of his termination. The remainder of the 2000 award was forfeited.

Mr. Parseghian also received severance benefits including the continuation of his base salary, health insurance, group term life insurance and accidental death and personal loss insurance coverage for 18 months following his termination. The availability of other compensation or benefits is governed by the terms of the plan under which the compensation or benefits may be payable.

In connection with his severance benefits, we executed with Mr. Parseghian a mutual release of claims with certain exceptions. The exceptions include, but are not limited to, any claims:

- arising by reason of Mr. Parseghian's willful misconduct, knowing violation of criminal law or receipt of improper personal benefit during his employment with us; or
- arising out of any act or omission by Mr. Parseghian in connection with matters that are subject of the reaudit and restatement of our financial statements and accounting and financial reporting practices.

Mr. Parseghian is subject to confidentiality, cooperation/non-disparagement, and 18-month non-competition and non-solicitation of employees covenants under the amended agreement. OFHEO has reviewed the terms of this amended agreement and has approved the termination benefits set forth in the amended agreement.

Beginning on January 3, 2004, we engaged Mr. Parseghian as a consultant to assist Mr. Syron in his transition to Chief Executive Officer for a period of three months. During the consulting period, we paid Mr. Parseghian a monthly consulting fee at the rate of \$375,000 per month. The terms of the consulting agreement were reviewed by OFHEO.

Leland C. Brendsel

We had entered into an employment agreement with Mr. Brendsel, which had been in effect since September 7, 1990. At the request of the Board, Mr. Brendsel resigned on June 6, 2003, as Chairman and Chief Executive Officer and as a member of the Board.

On December 17, 2003, OFHEO filed a Notice of Charges against Mr. Brendsel seeking to have him pay civil money penalties, to have him make restitution to us in the amount of the bonuses paid to him in 2000 and 2001, and to prohibit him from pursuing or accepting any payments from us that exceed the payments to which he would be entitled if he had been terminated for cause under his employment agreement. OFHEO also filed a Notice of Charges against us to require us to convert Mr. Brendsel's termination to a termination for cause under his employment agreement and to prohibit us from making any payments to Mr. Brendsel that would exceed the payments to which he would be entitled if he had been terminated for cause under his employment agreement.

Under the terms of his employment agreement, if Mr. Brendsel's employment termination is ultimately treated as termination for good reason, his termination date will be 30 days after his resignation, which is July 6, 2003, and his post-employment compensation will be:

- Payment of base salary for a period of 24 months following termination of employment at the rate of \$1,180,000 per year;

Executive Compensation

- No bonus payment for 2002, based upon an assessment of performance by the CHRC;
- Payment of a pro-rated bonus for 2003 of \$860,417 based on a bonus at the most recently determined target (which is the 2002 target of 125%) of salary at the time of termination, pro-rated for the portion of the year through the end of the month of employment termination;
- Lapsing of restrictions on 314,210 shares of restricted stock and restricted stock units and vesting of 410,108 stock options on the date of employment termination, with stock options to be exercised by the earlier of their expiration date or 24 months after termination of employment; and
- Health care and life insurance benefits for 60 months following termination of employment.

Under the terms of his employment agreement, if Mr. Brendsel's employment termination is ultimately converted to a termination for cause, his post-employment benefits will be:

- No salary beyond June 6, 2003;
- No bonus payment for 2002, based upon an assessment of performance by the CHRC;
- No bonus for 2003; and
- Forfeiture of all restricted stock and restricted stock units subject to restrictions and all unvested stock options (however, all options vested as of the termination date will be exercisable for 90 days after the termination date).

In early 2004, Mr. Brendsel filed suit against OFHEO challenging OFHEO's authority to withhold the various employment benefits from Mr. Brendsel pending resolution of the enforcement proceedings that OFHEO commenced against him. The suit sought a temporary restraining order and a preliminary injunction. We were not a party to this action. OFHEO consented to Mr. Brendsel exercising an option to purchase 80,560 shares of Freddie Mac common stock granted to him on June 3, 1994, or the 1994 Option, which was scheduled to expire June 2, 2004, subject to certain conditions. We entered into an agreement with Mr. Brendsel dated May 27, 2004, or the Option Exercise Agreement, governing Mr. Brendsel's exercise of the 1994 Option. The Option Exercise Agreement was approved by OFHEO. Pursuant to the Option Exercise Agreement, Mr. Brendsel was permitted to exercise the 1994 Option via a broker assisted cashless exercise. The Option Exercise Agreement provided for us to hold the net proceeds (net of exercise price, brokerage fees and taxes) and to account for them separately from other Freddie Mac assets. Mr. Brendsel exercised the 1994 Option pursuant to the Option Exercise Agreement on May 28, 2004, and net proceeds of \$2,554,498.86 were delivered to us. The dividend equivalents associated with the exercise were not distributed, and have been accrued by us. In the event that the dispute between Mr. Brendsel and OFHEO results in a judgment or order (not subject to a stay or to a motion for a stay) that OFHEO's directive with respect to Mr. Brendsel is invalid and OFHEO's restrictions on Mr. Brendsel's compensation are eliminated, the Option Exercise Agreement calls for us to transfer to Mr. Brendsel the proceeds from the exercise within 5 business days, unless we are subject to any other effective court or administrative order barring or restricting such transfer.

On August 30, 2004, the U.S. District Court for the District of Columbia issued an order preliminarily enjoining OFHEO's prior directive to the company freezing the compensation and benefits provided to Mr. Brendsel under his employment agreement. On September 10, 2004, OFHEO filed a notice of appeal with respect to this order. The administrative proceedings regarding OFHEO's demand to change Mr. Brendsel's termination status and its request for civil penalties and restitution of his 2000 and 2001 bonuses are still pending.

On August 31, 2004, we received a demand letter from Mr. Brendsel for immediate release of the compensation and benefits provided under his employment agreement or otherwise. Mr. Brendsel's dispute with OFHEO has not been resolved and the status of his termination has not yet been finally determined; however, we have a contract with Mr. Brendsel that requires us to pay the compensation and benefits to him if no valid and effective order providing otherwise is in place.

Under the terms of his employment agreement, Mr. Brendsel is subject to a non-disclosure requirement, a two-year non-competition requirement and a one-year non-solicitation of employees requirement. The availability of other compensation or benefits is governed by the terms of the plan under which the compensation or benefits may be payable.

PROPOSAL 2: RATIFICATION OF INDEPENDENT AUDITORS

Beginning in 2003, as part of our implementing the Sarbanes-Oxley Act, the Audit Committee (rather than the full Board) began selecting our independent auditors, reviewing the scope of the annual audit and pre-approving audit-related and other services to be performed by the independent auditors. After evaluating their performance in 2003, the Audit Committee has selected PricewaterhouseCoopers as our independent auditors for our fiscal year 2004. You are requested to ratify the Audit Committee's appointment of PricewaterhouseCoopers as independent auditors for our fiscal year 2004. Representatives of PricewaterhouseCoopers will be present at the annual meeting and will be given the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions from stockholders present at the meeting. Unless stockholders specify otherwise in the proxy, proxies solicited by the Board will be voted by the proxy holders at the annual meeting to ratify the selection of PricewaterhouseCoopers as our independent auditors for our fiscal year 2004. A majority of the votes cast at the annual meeting is required for ratification.

Change in Independent Auditors

On March 6, 2002, we announced that our Board had appointed PricewaterhouseCoopers to serve as our independent auditors for the year ended December 31, 2002, replacing Arthur Andersen LLP. The Board's appointment of PricewaterhouseCoopers was made upon the recommendation of the Audit Committee after our solicitation of proposals to audit our financial statements for the year ending December 31, 2002. Our stockholders ratified this appointment at our 2002 annual meeting. Our independent auditors are appointed annually.

The audit reports of Arthur Andersen on our consolidated financial statements for the fiscal years ended December 31, 2001 and 2000 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

During the years ended December 31, 2001 and 2000 and through March 6, 2002, the date of PricewaterhouseCoopers' appointment, we had no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which disagreements, if not resolved to Arthur Andersen's satisfaction, would have caused them to make reference to the subject matter of the disagreement in connection with their reports on our financial statements. Subsequent to PricewaterhouseCoopers' appointment as our independent auditors, we undertook a revision and restatement of our consolidated financial statements for the years 2002, 2001 and 2000 which resulted in significant changes in our accounting principles and practices and our financial statement disclosure.

None of the reportable events described under Item 304(a)(1)(v) of Regulation S-K occurred within our two fiscal years ended December 31, 2001 and the interim period through the date of PricewaterhouseCoopers' appointment.

During our two fiscal years ended December 31, 2001 and the interim period through PricewaterhouseCoopers' appointment, we did not consult with PricewaterhouseCoopers regarding any of the matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

Description of Fees⁽¹⁾

The following is a description of fees billed to us by Arthur Andersen during 2002 and PricewaterhouseCoopers during 2002 and 2003.

	<u>2003⁽⁸⁾</u>	<u>2002⁽⁸⁾</u>
<i>Audit Fees:</i> ⁽²⁾		
Arthur Andersen	N/A	\$ 226,000
PricewaterhouseCoopers	\$46,105,623	\$4,261,969
<i>Audit-Related Fees:</i> ⁽³⁾		
Arthur Andersen	N/A	\$ 12,200
PricewaterhouseCoopers	\$ 1,442,000	\$ 542,500
<i>Tax Fees:</i>		
Arthur Andersen ⁽⁴⁾	N/A	\$ 80,556
PricewaterhouseCoopers ⁽⁵⁾	\$ 74,333	\$ 37,942
<i>All Other Fees:</i>		
Arthur Andersen ⁽⁶⁾	N/A	\$ 759,903
PricewaterhouseCoopers ⁽⁷⁾	\$ 321,646	\$ 623,315

- (1) These fees represent amounts billed within the designated year and include reimbursable expenses. The audit fees for 2003 represent fees in connection with the reaudit of our 2000 and 2001 consolidated financial statements and the audit of our 2002 consolidated financial statements.
- (2) Audit fees include fees billed by PricewaterhouseCoopers or Arthur Andersen in connection with the annual audit of our consolidated financial statements and reviews of our interim consolidated financial statements. Audit fees billed by Arthur Andersen also include fees for services performed that are closely related to the audit, such as comfort letters in connection with equity and debt securities offerings. In addition to the amounts shown above, approximately \$4.2 million of fees have been billed in 2004 for the 2002 audit and reaudit of 2001 and 2000 consolidated financial statements, and approximately \$41.2 million of fees have been billed to date in 2004 for the completion of the 2003 audit. Audit fees of \$18,250 and \$15,000 in 2003 and 2002, respectively, related to the Freddie Mac Foundation are excluded because these fees are incurred and paid separately by the Freddie Mac Foundation.
- (3) Audit-related fees principally include fees related to attestation procedures related to Freddie Mac-sponsored securitization transactions, accounting consultations, and internal controls reviews.
- (4) Tax fees for Arthur Andersen generally include corporate tax compliance, counsel and advisory services.
- (5) Tax fees for PricewaterhouseCoopers include fees for providing periodic updates on tax matters and certain advisory services.
- (6) All other fees for Arthur Andersen for 2002 relate primarily to advisory procedures related to financial system design work and financial planning services for our executives.
- (7) All other fees for PricewaterhouseCoopers primarily relate to advisory procedures surrounding our non-GAAP financial measures, and consulting work prior to their appointment as our independent auditors, which amounted to \$407,732 in 2002.
- (8) PricewaterhouseCoopers' fees include reimbursable expenses of \$4,908,121 and \$301,876 for 2003 and 2002, respectively.

Approval of Independent Auditor Services and Fees

The Sarbanes-Oxley Act, and rules adopted by the SEC under the act, require that all services provided to companies subject to the reporting requirements of the Exchange Act by their

Ratification of Independent Auditors

independent auditors be pre-approved by their audit committee or by authorized members of the committee, with certain exceptions. The Audit Committee's charter requires that the Audit Committee pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by our independent auditors (or to designate one or more members of the Audit Committee to pre-approve such services and to report such pre-approval to the Audit Committee).

Audit services that are within the scope of an auditor's engagement letter approved by the Audit Committee prior to the performance of those services are deemed pre-approved and do not require separate pre-approval. Audit services not within the scope of an Audit Committee-approved engagement letter, as well as permissible non-audit services, must be separately pre-approved by the Audit Committee.

When the Audit Committee pre-approves each service, the Audit Committee sets a dollar limit for the service. Management must obtain pre-approval of the Audit Committee, or the Chairman of the Audit Committee, before it incurs fees in excess of the dollar limit. If the Chairman of the Audit Committee approves the increase, the Chairman will report his actions at the Audit Committee's next scheduled meeting.

The pre-approval procedure is administered by our senior financial management, which reports throughout the year to the Audit Committee. Since December 2002 and through December 31, 2003, the Audit Committee has pre-approved all audit and non-audit services, including those relating to the restatement, except for \$49,893 of tax fees (including reimbursable expenses) for work performed in 2003 that were reviewed by the Audit Committee in February 2004. These fees represented 67 percent of the total amount of tax fees for 2003.

We recommend that you vote *for* the ratification of the selection of PricewaterhouseCoopers as our independent auditors for 2004.

PROPOSAL 3: APPROVAL OF 2004 STOCK COMPENSATION PLAN

General

You are being asked to approve the Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan, or 2004 Plan, at the annual meeting. Our Board approved the 2004 Plan on September 10, 2004, subject to stockholder approval. The 2004 Plan will replace the 1995 Stock Compensation Plan, or 1995 Plan, which expires on December 31, 2004. The 2004 Plan reserves 10 million shares plus any unused shares from the 1995 Plan, for options, restricted stock, and a variety of other types of awards.

Information on the total number of shares available under our existing equity compensation plans and subject to outstanding options is presented below under "Securities Authorized for Issuance under Equity Compensation Plans." Based on our equity award plans in effect and outstanding awards at August 31, 2004, if stockholders approve the 2004 Plan, the shares subject to outstanding awards (including restricted stock, which shares are treated as already outstanding) and shares available for future issuance under all continuing equity compensation plans, including the 2004 Plan but excluding the Employee Stock Purchase Plan, would be as follows:

Shares subject to outstanding awards	9,863,862
Shares available for future equity awards	12,902,880
Total shares	22,766,742
Percentage of outstanding shares*	3.14%

* Shares outstanding includes all common stock outstanding at August 31, 2004, without giving effect to issuance of unissued shares reserved under continuing plans or deliverable in the future in connection with outstanding awards.

The Board and the CHRC believe that attracting and retaining executives and other key employees of high quality has been and will continue to be essential to our growth and success. The 2004 Plan, like the 1995 Plan, will enable us to implement a compensation program with different types of incentives for motivating leaders and key employees and encouraging them to provide long-term service. In particular, we intend to continue using awards of stock-based compensation as an important element of compensation, because such awards enable employees to acquire or increase their proprietary interest in Freddie Mac, thereby aligning interests between employees and our stockholders. In addition, our use of stock-based compensation is intended to tie employee compensation to measures of our performance so as to provide our employees with incentives to achieve excellent performance.

The 2004 Plan authorizes a broad range of awards, including:

- options;
- stock appreciation rights, or SARs;
- restricted stock, which is an award of actual shares subject to a risk of forfeiture and restrictions on transfer;
- deferred stock, including restricted stock units which are, in effect, forfeitable deferred stock;
- other awards based on our common stock;
- dividend equivalents; and
- stock-based performance awards, which are, in effect, deferred stock awards that may be earned by achieving specific performance objectives.

Approval of 2004 Stock Compensation Plan

If the 2004 Plan is approved by the stockholders, no new awards will be granted under the 1995 Plan, but previously granted awards under that plan will remain in effect. The 2004 Plan does not restrict us from adopting other plans providing for grants of equity-based compensation in the future.

Reasons for Stockholder Approval

The Board seeks stockholder approval of the 2004 Plan in order to satisfy certain legal requirements, including requirements of the New York Stock Exchange. In addition, we seek stockholder approval so that designated stock options can qualify as incentive stock options under the Internal Revenue Code, which gives the holder of those options more favorable tax treatment. Finally, we regard stockholder approval of the 2004 Plan, and its material terms relating to eligibility, per-person limitations on award amounts, and the nature of performance goals used for awards under the plan, as desirable and consistent with corporate governance best practices. We have not in the past granted equity awards except under plans approved by our stockholders.

Accounting Treatment of the 2004 Plan

We have adopted FAS 123 as our method of accounting for stock-based compensation plans. FAS 123 provides a method by which the fair value of awards granted under the 2004 Plan, including stock options, can be calculated and reflected as an expense in our financial statements. Although accounting standards may change over time, we expect that any standard we use in the foreseeable future will provide a reasonable method for valuing awards and reflecting such value as an expense in our financial statements.

Restriction on Repricing

Without stockholder approval, we will not amend or replace previously granted options in a transaction that constitutes a “repricing.” For this purpose, “repricing” means

- lowering the exercise price of an option or grant price of a SAR after it is granted;
- canceling an option or SAR at a time when its exercise price or grant price exceeds the fair market value of the underlying stock, in exchange for another option, SAR, award of restricted stock or other equity, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction;
- any other action that is treated as a repricing under GAAP; or
- any other action that has the same effect.

An adjustment to an exercise price or other price specified in an award resulting from a stock split or other extraordinary corporate transaction would not constitute a repricing.

Description of the 2004 Plan

The following is a brief description of the material terms and features of the 2004 Plan. This description is qualified in its entirety by reference to the full text of the 2004 Plan, a copy of which is attached to this Proxy Statement as Appendix C.

Shares Available. As of August 31, 2004 the number of shares of common stock reserved and available for awards under the 2004 Plan will be 10 million shares, plus the number of shares remaining available under the 1995 Plan and the number of shares that become available in the future due to forfeiture or other non-delivery in connection with settlement of currently outstanding

Approval of 2004 Stock Compensation Plan

awards. Not more than 50% of the shares under the 2004 Plan can be issued in the form of restricted stock and other non-stock option/non-SAR awards. As discussed below, the number of shares of common stock reserved under the 2004 Plan is subject to adjustment in the event of stock splits, stock dividends, and other extraordinary events.

Only the number of shares actually delivered to participants upon exercise of an option or SAR or upon settlement of other awards, or, in the case of restricted stock, the number of shares that have been delivered to the participant and which have become non-forfeitable, will be counted against the number of shares reserved under the 2004 Plan. Thus, shares will become available again for new awards in the following cases:

- an award expires or is forfeited;
- an award is settled in cash or is otherwise terminated without issuance of shares to the participant;
- shares are withheld from an award or separately surrendered to pay the exercise price of an option or to satisfy tax withholding obligations for an award;
- fewer shares are delivered upon exercise of an SAR than the number to which the SAR related; or
- shares issued as restricted stock are forfeited.

Shares subject to outstanding 1995 Plan awards will be counted and deemed available in accordance with the share counting rules of the 2004 Plan.

Shares delivered under the 2004 Plan may be either newly issued or treasury shares. On August 31, 2004, the last reported closing sale price of our common stock in consolidated trading of New York Stock Exchange-listed securities was \$67.12 per share.

Per-Person Award Limitations. The 2004 Plan includes limitations on the amount of awards that may be granted to a participant in a given year. Under this annual per-person limitation, a participant may in any year be granted share-based awards under the 2004 Plan relating to no more than his or her “Annual Limit.” The Annual Limit equals two million shares plus the amount of the participant’s unused Annual Limit relating to share-based awards as of the close of the previous year, subject to adjustment for splits and other extraordinary corporate events.

Adjustments to Shares Reserved, Awards and Award Limits. Adjustments to the number and kind of shares subject to the share limitations and specified in the Annual Limit are authorized under the 2004 Plan if a large, special or non-recurring dividend or distribution, recapitalization, stock split, stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase or share exchange, rights offering, or other similar corporate transaction or event affects the common stock. Where such an event affects participants such that an adjustment is necessary to prevent dilution or enlargement of the rights of participants, the CHRC is obligated to equitably adjust outstanding awards, including adjustments to the number of shares subject to an award, any exercise price or grant price, and other terms of the award to preserve the value of the award without enhancing this value. The CHRC is also authorized to provide a cash payment relating to an outstanding award if that is deemed an appropriate means to effect an adjustment. The CHRC is

Approval of 2004 Stock Compensation Plan

also authorized to adjust performance conditions and other terms of awards in response to these kinds of events or to changes in applicable laws, regulations, or accounting principles.

Eligibility. All of our executive officers and other employees of Freddie Mac and our subsidiaries and affiliates, including directors who are also employees, or approximately 5,000 persons, are eligible for awards under the 2004 Plan. For this purpose, an affiliate is an organization where the employees are designated by the CHRC as eligible to participate in the 2004 Plan.

Administration. The CHRC administers the 2004 Plan, except that the Board may appoint any other committee to administer the 2004 Plan and may itself act to administer the 2004 Plan. According to the 2004 Plan, the committee administering the 2004 Plan must consist of at least two directors, and no member of the committee may be a Freddie Mac employee. The CHRC's charter further provides that it must consist of at least three directors, each of whom shall be independent under the rules of the New York Stock Exchange. You may obtain a copy of the CHRC's charter from our website, www.freddiemac.com. Subject to the terms and conditions of the 2004 Plan, the CHRC is authorized to select participants, determine the type and number of awards to be granted and the number of shares to which awards will relate or the amount of a performance award, specify times at which awards will be exercisable or settled, including performance conditions that may be required as a condition thereof, set other terms and conditions of such awards, prescribe forms of award agreements, interpret and specify rules and regulations relating to the 2004 Plan, and make all other determinations which may be necessary or advisable for the administration of the 2004 Plan. Nothing in the 2004 Plan precludes the CHRC from authorizing payment of other compensation to executive officers and employees outside of the 2004 Plan. The CHRC is permitted to delegate authority to our senior executives for the granting of awards to employees who are below the senior executive level. The 2004 Plan provides that CHRC members and others acting on behalf of the CHRC shall not be personally liable, and shall be fully indemnified, in connection with any action, determination, or interpretation taken or made in good faith under the 2004 Plan.

Minimum Vesting Requirements. The following are the minimum vesting rules under the 2004 Plan:

- Options and SARs and the proceeds of exercise will be forfeitable for at least one year after the date of grant if the participant terminates employment for reasons other than death, disability or retirement.
- Restricted stock, restricted stock units and other non-option/non-SAR awards for which a participant does not pay substantial value (in addition to any service requirement) will vest (that is, become non-forfeitable) as follows:
 - if the grant or vesting of the award is not performance-based, over a minimum period of three years, except that:
 - vesting over a three-year period can include periodic vesting throughout the period; and
 - to preserve flexibility, up to 5% of the shares authorized under the 2004 Plan may be delivered with a one-year minimum vesting requirement.

Approval of 2004 Stock Compensation Plan

- if the grant or vesting of the award is performance-based, over a minimum period of one year, which may include the performance period where the award is granted at the end of a pre-set performance period;
 - the award may vest earlier in the event of the participant's death, disability, or retirement, or in the event of a change in control of Freddie Mac (as defined by the CHRC) or other special circumstances.
- Shares and share-based awards paid for by participants with substantial consideration other than continuing services may have different vesting terms.

Stock Options and SARs. The CHRC is authorized to grant stock options, including both incentive stock options, or ISOs, which can result in potentially favorable tax treatment to the participant, and non-qualified stock options. SARs may also be granted, entitling the participant to receive the excess of the fair market value of a share on the date of exercise over the SAR's designated "grant price." The exercise price of an option and the grant price of an SAR are determined by the CHRC, but generally may not be less than the fair market value of the shares on the date of grant (except as described below). The maximum term of each option or SAR will be ten years. Subject to this limit and to the minimum vesting terms described above, the times at which each option or SAR will be exercisable and provisions requiring forfeiture of unexercised options at or following termination of employment or upon the occurrence of other events generally are fixed by the CHRC. Options may be exercised by payment of the exercise price in cash, shares or other property (which may include through broker-assisted cashless exercise procedures), or by withholding of option shares or the surrender of other outstanding awards having a fair market value equal to the exercise price. Methods of exercise and settlement and other terms of SARs will be determined by the CHRC. SARs may be exercisable for shares or for cash, as determined by the CHRC.

Restricted and Deferred Stock/Restricted Stock Units. The CHRC is authorized to grant restricted stock and deferred stock (which includes restricted stock units). Prior to the end of the restricted period, shares granted as restricted stock may not be sold, and may be forfeited in the event of termination of employment. The minimum vesting periods described above apply to restricted stock granted for continuing services, and the CHRC can establish additional restricted periods for those awards or set restricted periods for other awards of restricted stock. Aside from the risk of forfeiture and non-transferability, an award of restricted stock entitles the participant to the rights of a stockholder of Freddie Mac, including the right to vote the shares and to receive dividends, unless otherwise determined by the CHRC.

Deferred stock gives a participant the right to receive shares at the end of a specified deferral period. Deferred stock subject to forfeiture conditions constitutes an award of restricted stock units. The minimum vesting periods described above apply to deferred stock/restricted stock units granted for continuing services, and the CHRC can establish additional vesting periods for those awards or set vesting periods for other awards of restricted stock units. One advantage of restricted stock units, as compared to restricted stock, is that the period during which the award is forfeitable need not extend as long as the deferral period, so the CHRC can require or permit a participant to continue to hold an interest in our stock on a tax-deferred basis. Prior to settlement, deferred stock awards, including restricted stock units, carry no voting or dividend rights or other rights associated with stock ownership, but dividend equivalents generally will be paid.

Other Stock-Based Awards, Stock Bonus Awards, and Awards in Lieu of Other Obligations. The 2004 Plan authorizes the CHRC to grant awards denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of our common stock. The CHRC will determine the terms and conditions of such awards, including the consideration to be paid to exercise awards in the nature of purchase rights, the periods during which awards will be outstanding, and any forfeiture conditions and restrictions on awards. In addition, the CHRC is authorized to grant shares as a bonus free of restrictions, or to grant shares or other awards in lieu of our obligations under other plans or compensatory arrangements, subject to such terms as the CHRC may specify. Under the minimum vesting requirements described above, bonus shares generally can be granted without a minimum vesting period only if granted in substitution for other awards or rights to payment having substantial value.

Performance Awards. The CHRC may grant share-based performance awards. Generally, performance awards require satisfaction of pre-established performance goals, consisting of one or more business criteria and a targeted performance level with respect to such criteria as a condition of awards being granted or becoming exercisable or settleable, or as a condition to accelerating the timing of such events. Performance may be measured over a period specified by the CHRC.

The 2004 Plan authorizes the CHRC to grant performance awards that have the performance terms strictly specified in advance, and which limit our discretion to make payouts except strictly based on the level of performance achieved. The business criteria to be used by the CHRC in establishing performance goals applicable to those performance awards to participants who are expected to be “named executives” identified in the proxy statement will be selected from among the following:

- 1) Mission measures: affordable housing goals, low-cost financing initiatives, quality-of-business measures, customer initiatives and customer satisfaction;
- 2) Operational improvement measures: risk management, enhancing operational stability, improving or otherwise advancing disclosure controls, cost reductions, productivity, and legal and regulatory compliance;
- 3) Capital management measures; and
- 4) Financial measures: interest income, revenues, income before income taxes, extraordinary items and/or cumulative effect of changes in accounting principles, revenues, net income or net income per common share (basic or diluted), return on assets (gross or net), return on investment, return on capital, or return on equity, cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital, interest expense or non-interest expense, non-GAAP metrics including economic value created or other measurement of maximizing long-term value, operating margin or profit margin, and stock price or total stockholder return.

The CHRC may set the levels of performance required in connection with performance awards as fixed amounts, goals relative to performance in prior periods, goals compared to the performance of one or more comparable companies or an index covering multiple companies, or in any other way the CHRC may determine.

Approval of 2004 Stock Compensation Plan

Other Terms of Awards. Awards may be settled in cash, shares, other awards or other property, in the discretion of the CHRC. The CHRC may require or permit participants to defer the settlement of all or part of an award, including shares issued upon exercise of an option or SAR, in accordance with such terms and conditions as the CHRC may establish, including payment or crediting of interest or dividend equivalents on any deferred amounts. The CHRC may condition awards on the payment of taxes such as by withholding a portion of the shares or other property to be distributed in order to satisfy tax obligations. Awards granted under the 2004 Plan generally may not be pledged or otherwise encumbered and are not transferable except by will or by the laws of descent and distribution, or to a designated beneficiary upon the participant's death, except that the CHRC may permit transfers to any transferee during the participant's lifetime. The CHRC may impose forfeiture conditions on any award, including provisions that the award, or amounts of cash, common stock or other property realized by the participant as income or gain as a result of the award, shall be forfeited or repaid to us if the participant fails to comply with conditions relating to non-solicitation of employees, customers and suppliers, non-competition, preservation and appropriate use of proprietary and confidential information of Freddie Mac and our affiliates, return of property, non-disparagement of Freddie Mac and our affiliates, cooperation in litigation, and other restrictions protecting us and our affiliates. Such forfeiture conditions may apply to events occurring following termination.

Awards under the 2004 Plan generally will be granted without a requirement that the participant pay consideration in the form of cash or property for the grant (as distinguished from the exercise). The CHRC could require payment of consideration, however, or grant awards in substitution for, exchange for or as a buyout of other awards under the 2004 Plan, awards under our other plans, or other rights to payment from us, or may exchange or buy out outstanding awards for cash or other property. The CHRC also may grant awards in addition to and in tandem with other awards or rights. In granting a new award, the CHRC may determine that the in-the-money value of any surrendered award may be applied to reduce the exercise price of any option, grant price of any SAR, or purchase price of any other award, and the fair value of a surrendered award may be applied to the purchase price based on fair value of any new award. Any of these transactions that would be a "repricing" would be subject to the stockholder approval requirement described under the caption "Restriction on Repricing" above.

Dividend Equivalents. The CHRC may grant dividend equivalents. These are rights to receive payments equal in value to the amount of dividends paid on a specified number of shares of common stock while an award is outstanding. These amounts may be in the form of cash or rights to receive additional awards or additional shares of common stock having a value equal to the cash amount. The awards may be granted on a stand-alone basis or in conjunction with another award. Typically, we have granted rights to dividend equivalents in connection with options and restricted stock units, so that the participant can earn amounts equal to dividends paid on the number of shares covered by the award while the award is outstanding. Under our current practice, dividend equivalents on stock options are accrued and are payable in cash upon exercise or expiration of the option, and dividend equivalents on restricted stock units are paid in cash at the time dividends are paid on common stock.

Amendment and Termination of the 2004 Plan. The CHRC may amend, alter, suspend, discontinue, or terminate the 2004 Plan without stockholder approval, except that an amendment would require stockholder approval if it is required to be approved by stockholders under New York

Stock Exchange rules, our bylaws or any applicable law or regulation. The CHRC may, in its discretion, submit other amendments to stockholders for approval. Board approval is required also for any amendment that requires stockholder approval or exceeds the authority of the CHRC under its charter and other corporate governance documents. Under these provisions, stockholder approval will not be required for all possible amendments that might increase the cost of the 2004 Plan. Outstanding awards may be amended, but the CHRC cannot modify or waive award terms that would be mandatory if it were then granting a new award. In addition, for awards that are intended to be settled in common stock according to their written terms, cash settlement should be rare and only in response to circumstances that are unique, outside of the participant's control, and perceived to result in a hardship to the participant. Unless otherwise determined by the CHRC, such cash settlements must receive prior approval by our Chief Financial Officer.

No new award may be granted under the 2004 Plan after the tenth anniversary of the approval of the 2004 Plan by stockholders. Unless earlier terminated by the Board, the 2004 Plan will terminate thereafter at such time that we have no further rights or obligations with respect to any outstanding award.

Federal Income Tax Consequences

We believe that under current law the following federal income tax consequences generally would arise with respect to awards under the 2004 Plan. The grant of an option or an SAR will create no federal income tax consequences for the participant or us. A participant will not have taxable income upon exercising an option that is an ISO, except that the alternative minimum tax may apply. Upon exercising an option that is not an ISO, the participant must generally recognize ordinary income equal to the difference between the exercise price and the fair market value of the freely transferable and nonforfeitable shares acquired on the date of exercise. Upon exercising an SAR, the participant must generally recognize ordinary income equal to the cash or the fair market value of the shares received.

Upon a disposition of shares acquired upon exercise of an ISO before the end of the applicable ISO holding periods, the participant must generally recognize ordinary income equal to the lesser of (i) the fair market value of the ISO shares at the date of exercise minus the exercise price or (ii) the amount realized upon the disposition of the ISO shares minus the exercise price. Otherwise, a participant's sale of shares acquired by exercise of an option generally will result in short-term or long-term capital gain or loss measured by the difference between the sale price and the participant's tax "basis" in such shares. The tax "basis" normally is the exercise price plus any amount he or she recognized as ordinary income in connection with the option's exercise. A participant's sale of shares acquired by exercise of an SAR generally will result in short-term or long-term capital gain or loss measured by the difference between the sale price and the tax "basis" in the shares, which normally is the amount he or she recognized as ordinary income in connection with the SAR's exercise.

We normally can claim a tax deduction equal to the amount recognized as ordinary income by a participant in connection with an option or SAR, but no tax deduction relating to a participant's capital gains. Accordingly, we will not be entitled to any tax deduction with respect to an ISO if the participant holds the shares for the applicable ISO holding periods before selling the shares. We may, however, permit participants to elect to defer taxation upon certain exercises of options other than ISOs, in which case the participant generally should not realize income upon exercise, but will realize ordinary income equal to the value of shares delivered at the end of the specified deferral

period. Upon such a deferral, we would become entitled to a tax deduction only at the time shares are delivered at the end of the deferral period. Proposed legislation may limit this kind of option gain deferral, however.

With respect to other awards that result in a transfer to the participant of cash or shares or other property, if no restriction on transferability or substantial risk of forfeiture applies to the transferred amounts, the participant generally must recognize ordinary income equal to the cash or the fair market value of shares or other property actually received. Thus, for example, if we grant an award of deferred stock or permit the participant to elect to defer receipt of shares under a 2004 Plan award, the participant will defer the time that he or she becomes subject to income tax, and our right to claim a tax deduction will be likewise deferred. If a restriction on transferability and substantial risk of forfeiture applies to shares or other property transferred, the participant generally must recognize ordinary income equal to the fair market value of the transferred amounts at the earliest time either the transferability restriction or risk of forfeiture lapses. In all cases, we generally can claim a tax deduction in an amount equal to the ordinary income recognized by the participant. A participant may elect to be taxed at the time of grant of restricted stock or other property rather than upon lapse of restrictions on transferability or the risk of forfeiture, but if the participant subsequently forfeits such shares or property he or she would not be entitled to any tax deduction, including as a capital loss, for the value of the shares or property on which he or she previously paid tax.

The foregoing provides only a general description of the application of federal income tax laws to certain types of awards under the 2004 Plan. This discussion is intended for the information of stockholders considering how to vote at the annual meeting and not as tax guidance to participants with respect to the 2004 Plan, as the consequences may vary with the types of awards made, the tax status of the participant, variations on transactions as permitted under the 2004 Plan, and other circumstances. Different tax rules may apply, including in the case of variations in transactions that are permitted under the 2004 Plan (such as payment of the exercise price of an option by surrender of previously acquired shares). The summary does not address the effects of other federal taxes, including possible “golden parachute” excise taxes, FICA and taxes imposed under state, local, or foreign tax laws. Because of the complexities of the tax laws, a participant should consult a tax advisor as to his or her individual circumstances.

New Plan Benefits Under the 2004 Plan

Because future awards under the 2004 Plan will be granted at the discretion of the CHRC, the type, number, recipients, and other terms of such awards cannot be determined at this time. Information regarding our recent practices with respect to stock-based compensation under other plans is presented elsewhere in this Proxy Statement and in our financial statements for the fiscal year ended December 31, 2003, located in our Annual Report which accompanies this Proxy Statement. If stockholders decline to approve the 2004 Plan, awards will not be granted under the 2004 Plan, and the 1995 Plan will remain in effect in accordance with its terms.

Vote Required for Approval

Approval of the 2004 Plan will require the affirmative vote of a majority of the votes cast on the proposal at the annual meeting, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal.

The Board considers the 2004 Plan to be in the best interests of Freddie Mac and its stockholders and therefore recommends that the stockholders vote to approve the 2004 Plan at the annual meeting.

PROPOSAL 4: APPROVAL OF AMENDED AND RESTATED EMPLOYEE STOCK PURCHASE PLAN

You are being asked to approve the amendment and restatement of the Federal Home Loan Mortgage Corporation Employee Stock Purchase Plan, or Purchase Plan, at the annual meeting. The revised Purchase Plan would authorize the sale of up to 3.6 million shares of our common stock to employees, in addition to any shares remaining available under the terms of the existing Purchase Plan (estimated to be 3.4 million shares at the end of the current offering period). The revised Purchase Plan would also extend the expiration date to January 1, 2015. If stockholders approve the proposal, an estimated 1.0% of the currently outstanding class of common stock will be available for issuance at January 1, 2005 under the revised Purchase Plan. For information on the total number of shares currently available under our equity compensation plans, see “Securities Authorized for Issuance under Equity Compensation Plans” below.

Overview of the Purchase Plan

The Purchase Plan provides employees with the opportunity to purchase our common stock at a discount, primarily through payroll deductions. Originally adopted in 1989, the Purchase Plan meets the requirements of Section 423 of the Internal Revenue Code, providing participants with tax advantages in buying and holding shares. The Board believes that the Purchase Plan is an attractive benefit that helps us compete for talented employees and, by enabling employees to share in our growth through the ownership of our stock, provides incentives to achieve excellent performance. The Board believes the Purchase Plan has been and will continue to be beneficial both to us and to our employees.

If an employee elects to participate in the revised Purchase Plan, he or she will make contributions during a pre-set offering period. On the last business day of an offering period, the full amount of the employee’s contributions is used to purchase common stock. The purchase price generally will be at a discount, but this price must at least equal 85% of the fair market value of a share on the first day of the offering period or 85% of the fair market value of a share at the purchase date, whichever is less (the “Discounted Purchase Price”).

Accounting Treatment of the Purchase Plan

We have adopted FAS 123 as our method of accounting for stock-based compensation plans. FAS 123 specifies methods by which the fair value of participants’ rights to purchase our stock at a discount under the revised Purchase Plan can be calculated and reflected as compensation expense in our financial statements. These accounting rules could be changed, however, by standards-setting or regulatory authorities or by legislation.

Summary of Terms of the Purchase Plan

The following is a brief description of the material terms and features of the revised Purchase Plan. This description is qualified in its entirety by reference to the full text of the Purchase Plan, a copy of which is attached to this Proxy Statement as Appendix D.

Participation in the Purchase Plan is voluntary and open to all of our employees and employees of any of our subsidiaries who work at least 20 hours per week and at least five months per year, except that an employee who owns five percent or more of our common stock (determined under

Approval of Amended and Restated Employee Stock Purchase Plan

IRS regulations) may not participate. Currently, approximately 5,000 employees are eligible to participate in the Purchase Plan, of which approximately 1,500 are participating in the offering period ending October 31, 2004. An eligible employee will enroll in the revised Purchase Plan via Internet or telephone by a specified deadline. This deadline normally will be prior to the beginning of the offering period, but the revised Purchase Plan will be flexible in allowing plan administrators to set the enrollment deadline at a date after the beginning of an offering period.

The CHRC will set a number of terms of offerings under the revised Purchase Plan, including:

- The offering period, up to 27 months;
- The maximum number of shares or dollar value of shares that may be purchased by a participant, up to the statutory maximum (currently \$25,000) in fair market value of shares in any calendar year, such value measured at the beginning of each offering period;
- The formula for determining the purchase price, but not less than the Discounted Purchase Price described above;
- Whether contributions may be made by payroll deduction, through lump-sum contributions, or by both means;
- Whether any holding period will be imposed on purchased shares; and
- Whether interest will be credited on payroll contributions and, if so, the rate of interest.

The existing Purchase Plan currently operates with three-month offering periods, with each participant authorized to purchase up to \$5,000 in market value of shares in any one period. Shares are priced at the Discounted Purchase Price based on market prices at the beginning and end of each three-month offering period, with purchases made only through payroll contributions, a 90-day holding period applying to any purchased shares. We currently intend to continue to operate the revised Purchase Plan in the same way; however, the revised Purchase Plan terms provide the Purchase Plan administrator with flexibility that will allow us to modify the terms of offerings during the life of the Purchase Plan.

Shares purchased under the Purchase Plan are held for the participant in a brokerage account at a financial services firm selected by us to help administer the Purchase Plan. Each participant is entitled to vote shares held for his or her account and, once any holding period is met, a participant may direct the financial services firm to sell his or her Purchase Plan shares or may withdraw such shares from the account. Dividends payable on shares purchased under the Purchase Plan may, at the participant's election, be received in cash or reinvested in additional shares (the Discounted Purchase Price will not apply to such reinvestment, however). Shares purchased by reinvestment will not count against the shares reserved under the revised Purchase Plan.

A participant may withdraw from an offering, in which case payroll contributions are refunded and further contributions in that offering period cease. A participant whose employment terminates for any reason is treated as withdrawing from any on-going offering. Participants' rights under the Purchase Plan are generally nontransferable.

Significant policies governing the revised Purchase Plan will be made by the CHRC. Other administrative responsibilities will rest with an administrative committee of one or more officers. The number of shares reserved under the revised Purchase Plan and the purchase price for a given

offering period are subject to appropriate adjustment by the Board to reflect stock splits, stock dividends, and other extraordinary corporate events. Shares purchased from us will consist of either authorized but unissued shares or treasury shares. We will pay costs and expenses in connection with the revised Purchase Plan, except for commissions payable by a participant who sells shares and fees imposed by the financial services firm for specific services provided to a participant.

The CHRC may amend, alter, suspend, discontinue, or terminate the revised Purchase Plan without further stockholder approval, except stockholder approval must be obtained if such approval is required by applicable law or stock exchange rules or in order to continue to meet the requirements of Section 423 of the Internal Revenue Code. Thus, stockholder approval would be required to increase the number of shares reserved for the revised Purchase Plan (aside from an adjustment for an extraordinary corporate event) or to reduce the minimum purchase price for shares; however, such approval will not necessarily be required for other amendments that might increase the cost of the revised Purchase Plan, such as an amendment to increase the permitted level of participant contributions.

If approved by stockholders, the revised Purchase Plan will be effective January 1, 2005, except that terms of participation in the offering period extending from November 1, 2004 to January 31, 2005 will remain generally unaffected. The revised Purchase Plan will terminate on January 1, 2015, or earlier if shares reserved under the Purchase Plan are exhausted and purchased shares no longer remain subject to restrictions under the Purchase Plan or if the Board determines to terminate the Purchase Plan.

On August 31, 2004, the last reported closing sale price of our common stock in consolidated trading of New York Stock Exchange-listed securities was \$67.12 per share.

Federal Income Tax Consequences

We believe that under current law the following federal income tax consequences would apply to participation in the Purchase Plan. Rights to purchase shares under the revised Purchase Plan are intended to constitute “options” issued pursuant to an “employee stock purchase plan” within the meaning of Section 423 of the Internal Revenue Code:

- (1) A participant’s payroll contributions are “after-tax” amounts, meaning they are taxable as ordinary income to the participant at the payroll date. Lump-sum contributions also are “after-tax” amounts. No taxable income results to the participant upon the grant of a right to purchase or upon the purchase of shares for his or her account under the Purchase Plan.
- (2) If the participant disposes of shares purchased in an offering period less than two years after the first day of the offering period or less than one year after the last day of the offering period, the participant will realize ordinary income in an amount equal to the fair market value of the shares on the date of purchase minus the amount of the participant’s payroll contributions or separate contributions used to purchase the shares.
- (3) If the participant holds Purchase Plan shares for at least two years after the first day of the offering period and one year after the last day of the offering period, upon disposition of the shares the participant will realize ordinary income generally in an

amount equal to the lesser of (i) the fair market value of the shares on the first day of the offering period minus the amount of the participant's contributions used to purchase the shares or (ii) the fair market value of the shares on the date of disposition minus the amount of the participant's contributions used to purchase the shares.

- (4) In addition, the participant will realize a long-term or short-term capital gain or loss, as the case may be, in an amount equal to the difference between the amount realized upon any sale of the common stock and the participant's "tax basis" in the common stock. This "tax basis" will be the purchase price plus the amount, if any, taxed to the participant as ordinary income, as described above.
- (5) If the statutory holding period described in (2) and (3) above is satisfied, we will not receive any deduction for federal income tax purposes with respect to any discount in the sale price of the common stock to the participant. If the statutory holding period is not satisfied, we generally should be entitled to a tax deduction equal to the amount taxed to the participant as ordinary income.

This is only a general description of the application of federal income tax laws to the revised Purchase Plan, provided for the information of stockholders considering their vote on the proposal. The summary does not address the effects of other federal taxes or taxes imposed under state, local, or foreign tax laws. Because of the complexities of the tax laws, a Purchase Plan participant should consult a tax advisor as to his or her individual circumstances.

New Plan Benefits Under the Purchase Plan

Because future benefits under the revised Purchase Plan will depend on the level of participation elected by eligible employees, the terms of future offerings set by the CHRC, and market prices of our common stock, the amount of such future benefits cannot be determined at this time. Information regarding the compensation expense resulting from the existing Purchase Plan as currently in effect is presented in our financial statements for the fiscal year ended December 31, 2003, located in our Annual Report which accompanies this Proxy Statement. An offering under the current Purchase Plan will commence November 1, 2004, which will result in purchases on January 31, 2005 under the Purchase Plan as currently in effect. Under this offering, each employee will be permitted to purchase up to \$5,000 in market value of our common stock at a purchase price that will be 85 percent of the market price of our common stock at the beginning of the offering or at the end of the offering, whichever is lower. This offering will not be affected by the vote of stockholders on this proposal.

Vote Required for Approval

Approval of the amended and restated Purchase Plan will require the affirmative vote of a majority of the votes cast on the matter at the annual meeting.

The Board considers the amended and restated Purchase Plan to be in the best interests of Freddie Mac and its stockholders and therefore recommends that the stockholders vote to approve the amended and restated Purchase Plan at the annual meeting.

Approval of Amended and Restated Employee Stock Purchase Plan

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER
EQUITY COMPENSATION PLANS**

The following table provides information about our common stock that may be issued upon the exercise of options, warrants and rights under our existing equity compensation plans as of December 31, 2003.

<u>Plan Category</u>	<u>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>(b) Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
Equity compensation plans approved by stockholders	10,017,319 ⁽¹⁾	\$40.83 ⁽²⁾	9,503,542 ⁽³⁾
Equity compensation plans not approved by stockholders	None	N/A	None

(1) Includes 1,295,722 restricted stock units issued under the Directors' Stock Compensation Plan and the 1995 Plan and options to purchase 65,257 shares under the existing Purchase Plan.

(2) For the purpose of calculating this amount, the restricted stock units are assigned a value of zero.

(3) Includes \$4,361,954 shares, 3,481,774 shares and 1,659,814 shares available for issuance under the 1995 Plan, the existing Purchase Plan and the Directors' Stock Compensation Plan, respectively.

OTHER PROPOSED ACTIONS

As of the date of this Proxy Statement, there are no matters that the Board intends to present, or has reason to believe others will present, for a vote at the annual meeting other than those described in this Proxy Statement. If any other matters come before the annual meeting, the persons designated as proxies will vote in accordance with their best judgment.

AVAILABILITY OF ANNUAL REPORT

Our Annual Report, which contains audited consolidated financial statements for 2003 and other information, accompanies this Proxy Statement. Additional copies of the Annual Report and any Information Statement Supplements may be obtained without charge by writing to us at Mail Stop D4O, 1551 Park Run Drive, McLean, Virginia 22102, by calling Investor Relations at 571/382-4732, or by calling 800/FREDDIE (373-3343). Copies also are available on our website at www.freddiemac.com/investors.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING

Section 16(a) of the Exchange Act requires directors and certain officers of reporting companies, and persons who own more than ten percent of a registered class of such company's equity securities, to file reports of ownership and changes in ownership with the SEC and any exchange on which such company's securities trade, and to furnish the company with copies of the forms. As a federally chartered corporation our directors and executive officers are currently exempt from these requirements. However, our directors and executive officers provide us with the equivalent of Section 16(a) reports, which we make available on our website at www.freddiemac.com. Upon completion of our voluntary registration with the SEC, these reports will be filed with the SEC.

STOCKHOLDER PROPOSALS AND NOMINATIONS FOR NEXT ANNUAL MEETING OF STOCKHOLDERS

As stated above under "Explanatory Note," our objective is to release combined quarterly and full-year results for 2004 by March 31, 2005 and to provide our 2004 annual report and hold our related annual stockholders' meeting as soon as practicable thereafter. As we did for this annual meeting, we will announce by press release the timeframes and process for submitting stockholder proposals and director nominations once we are more certain regarding the timing of the next annual meeting. To be considered for inclusion in the next proxy statement, stockholder proposals must be submitted in writing by the announced deadline to the Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, VA 22102. The written notice must be accompanied by specific information regarding the proposal and the interest of the stockholder. If the stockholder does not comply with the requirements as set forth in our bylaws, the chair of the next annual meeting may declare the proposal not properly brought before the meeting.

Stockholder nominations of candidates for election as directors must be submitted in writing to the Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, VA 22102 by the same deadlines as for stockholder proposals. The written notice must include (1) the name, age, business address and residential address of the nominee, (2) the principal occupation or employment of the nominee, (3) a description of all arrangements or understandings between the stockholder and the

Other Matters

nominee and any other person relating to the nomination, and (4) all other information about the nominee that would be required to be included in a proxy statement soliciting proxies for the election of directors under the rules promulgated under the Exchange Act, as well as a written consent from the nominee to being named in the proxy statement and to serve if elected, as described in Section 3.03 of our bylaws. The stockholder also must provide his, her or its name and record address, the number of shares beneficially owned, and a representation that the stockholder intends to appear in person or by proxy at the meeting to make the nomination. If the stockholder does not comply with the requirements of Section 3.03 of our bylaws, the chair of the annual stockholders' meeting may so declare to the meeting and the defective nomination will be disregarded.

SOLICITATION BY BOARD; EXPENSES OF SOLICITATION

Our Board has sent you this Proxy Statement. We will pay all expenses in connection with the solicitation of the enclosed proxy. In addition to solicitation by mail, our officers and employees, who will receive no extra compensation for their services, may solicit proxies by telephone, in writing or in person. We also have retained Morrow & Co. Inc., a proxy soliciting firm, to assist in the solicitation of proxies for an estimated fee of \$20,000 plus reimbursement of reasonable out-of-pocket expenses. We also will reimburse the expenses of brokers and nominees who hold shares in their names to furnish proxy materials to the beneficial owners of such shares and, upon request, will reimburse such brokers and nominees for their reasonable out-of-pocket expenses.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to be 'Ralph F. Boyd, Jr.', with a long horizontal line extending to the right.

Ralph F. Boyd, Jr.
*Executive Vice President, General
Counsel and Secretary*

September 24, 2004

FREDDIE MAC'S CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “Board”) of the Federal Home Loan Mortgage Corporation (“Freddie Mac” or the “Company”) has adopted the Corporate Governance Guidelines (the “Guidelines”) set forth below to assist the Board in the exercise of its responsibilities. These Guidelines should be interpreted in accordance with any applicable legal requirements, including those imposed by federal or state law or regulation, the New York Stock Exchange and Freddie Mac’s statutory Charter and Bylaws. The Board may amend these Guidelines from time to time.

The Governance and Nominating Committee is responsible for reviewing and recommending to the Board appropriate changes to these Guidelines to reflect changes in legal or regulatory requirements, evolving governance practices and the Board’s policies and procedures. The Governance and Nominating Committee also oversees the implementation of the Guidelines by the Board and management. These Guidelines are published on Freddie Mac’s Internet website (www.freddiemac.com) and will be provided in print to any stockholder on request.

1. BOARD SIZE AND BOARD COMMITTEES: Under its statutory Charter, Freddie Mac’s Board of Directors has 18 members, with 13 elected by Freddie Mac’s stockholders and five appointed by the President of the United States. Stockholder-elected and Presidentially appointed Directors have the same responsibilities.

The Board’s standing committees include an Audit Committee, a Compensation and Human Resources Committee, and a Governance and Nominating Committee (the members of which include the Lead Director and the chairs of all of the other standing committees). Other standing committees, which address Freddie Mac business matters, are the Finance and Capital Deployment Committee and the Mission and Sourcing Committee. Each Committee has a charter, adopted by the Board and published on Freddie Mac’s Internet website (www.freddiemac.com), that specifies its authority and responsibilities.

2. BOARD AND COMMITTEE MEETINGS: The Board will meet at least eight times each year, including at least six regularly scheduled meetings. The Audit Committee and the Governance and Nominating Committee also will meet at least eight times each year and the Board anticipates an average of eight meetings per year of all of its standing Committees, subject to business needs. All standing Committees will hold at least six regularly scheduled meetings each year. The schedule and length of these meetings will depend on the number and nature of the matters to be addressed, but each regularly scheduled set of Board and standing Committee meetings will generally run for at least one and a half days, including a working Board dinner. Agendas for Board meetings are set by the Chairperson, with input from the Lead Director, other members of the Board and management. Agendas for Committee meetings are set by the chairs of the respective Committees, with input from other Committee members and management.

3. DIRECTOR RESPONSIBILITIES: The primary responsibility of members of the Board of Directors is to promote the fulfillment of Freddie Mac’s public mission, the Company’s safety and soundness, and the interests of the Company’s stockholders, through their oversight of Freddie Mac’s business.

In fulfilling this role, some of the specific functions of the Board are to:

- Promote ethical conduct on the part of the Company and its employees and oversee its compliance with applicable laws and regulations and the integrity of its financial disclosures.
- Oversee the development of corporate strategy and monitor its implementation.
- Select and evaluate the Chief Executive Officer and plan for management succession.
- Oversee the establishment and implementation of effective corporate governance processes.

Consistent with applicable legal requirements, the Board may delegate some of these functions to a Committee.

Directors are expected to devote the time and attention necessary to fully discharge their responsibilities as members of the Board and Committees, including attending all meetings of the Board and of Committees of which they are members. Materials scheduled to be discussed at the meetings are sent to Directors in advance of the meetings, except in unusual circumstances, and Directors are expected to review those materials prior to the meetings.

4. BOARD AND COMMITTEE INDEPENDENCE: A substantial majority of the members of the Board will be independent, as determined by the non-employee Directors (“Outside Directors”), under the standards set forth in these Guidelines. All members of the Audit Committee, Compensation and Human Resources Committee and Governance and Nominating Committee and the chairs of all standing committees will be independent under those standards (and, in the case of Audit Committee members, the requirements of SEC Rule 10A-3(b)(1)).

Before publication of Freddie Mac’s annual proxy statement, the Outside Directors will make a determination regarding the independence of each nominee for election or re-election to the Board, each Director appointed by the President, and any other Director who joined the Board since the last annual independence determination. These determinations and the basis for them (including, as applicable, application of the independence standards set forth below) will be disclosed in the proxy statement.

5. INDEPENDENCE STANDARDS: For a Director to be considered independent, the Board must determine that the Director does not have any material relationship with Freddie Mac. For the Board’s annual review of Director independence, the Board will solicit, and each Director will disclose to the Board, information concerning any employment, personal service or charitable relationships of the general types described below (regardless of whether the specified conditions are met) and any other potentially material relationships, direct or indirect, between the Director and Freddie Mac.

In determining whether a Director is independent, the Board will consider whether any such relationships, taken as a whole, would impair the Director’s judgment as a member of the Board or create the perception or appearance of such an impairment. When another entity has a relationship with both a Director and Freddie Mac, the Board will take into consideration the nature and extent of those relationships.

To assist it in making and disclosing independence determinations, and as contemplated by the rules of the New York Stock Exchange, the Board has established independence categories that cover a number of types of actual or potential Director relationships. A Director’s independence will not be deemed impaired by a relationship that falls within one of the categories listed below unless one of

two circumstances exist. First, for several of the categories, relationships that satisfy certain specific criteria within the category will disqualify a Director from being independent. Second, for relationships that fall within one of the categories but do not satisfy any such specific criteria, the Board may nevertheless determine that in light of the relevant facts, the relationship impairs a Director's independence. A determination that a Director is not independent for either of the above reasons will be disclosed in Freddie Mac's annual proxy statement.

Independence Categories

- **Employment by Freddie Mac.** A Director will not be deemed independent if, within the past three years, the Director was employed by Freddie Mac, or an immediate family member was an executive officer of Freddie Mac or employed in a professional capacity in Freddie Mac's Internal Audit Division. For purposes of these Guidelines, an immediate family member means a spouse, parents, children, siblings, in-laws (including mothers, fathers, sons, daughters, brothers and sisters-in-law), and anyone other than a domestic employee who shares a Director's home.
- **Direct Compensation from Freddie Mac.** A Director will not be deemed independent if, within the past three years, the Director or an immediate family member received more than \$100,000 in direct compensation from Freddie Mac (other than fees for Board service, and pension or other deferred compensation for prior service which is not contingent on continued service). If a Director or an immediate family member received any such compensation in an amount less than or equal to \$100,000 within the past three years, the Director will not be deemed independent unless the Board specifically determines otherwise.
- **Employment by Freddie Mac's External Auditor.** A Director will not be deemed independent if, within the past three years, the Director was affiliated with or employed, or an immediate family member was affiliated with or employed in a professional capacity, by a present or former external auditor of Freddie Mac.
- **Freddie Mac Executive Officer Membership on the Board of Director's Employer.** A Director will not be deemed independent if, within the past three years, a current executive officer of Freddie Mac served on the board of directors of the employer of the Director or an immediate family member at the time that the Director or immediate family member was an executive officer of that employer.
- **Affiliation by Employment or Board Membership with an Entity that Does Business with Freddie Mac.** A Director will not be deemed independent if the Director is an executive officer or employee, or an immediate family member is an executive officer, of a company that, during any one of that company's past three fiscal years, made payments to, or received payments from, Freddie Mac for property or services in an amount which exceeded the greater of \$1 million or 2% of that company's consolidated gross revenues in that fiscal year.
- **Consulting Services to Freddie Mac Executive Officers.** Unless the Board makes a specific determination otherwise, a Director will not be considered independent if, during the past three years, (i) the Director or an immediate family member received any fees for providing accounting, consulting, legal, investment banking or financial advisory services to a current executive officer of Freddie Mac, (ii) the Director or an immediate family member was an executive officer, partner or managing director (or held a similar position) in a business unit that provided such services within an organization that received such fees, or (iii) the Director or an

immediate family member was a ten percent or more equity holder of an organization that received such fees.

- **Freddie Mac Charitable Contributions.** Unless the Board makes a specific determination otherwise, a Director will not be considered independent if, within any one of the past three years, the Director or the Director's immediate family member is an officer, director or trustee of a charitable institution (other than the Freddie Mac Foundation) that received more than \$100,000, or 2 percent of its consolidated gross revenues, whichever is greater, during that year from charitable contributions by Freddie Mac, direct contributions by the Freddie Mac Foundation, Freddie Mac Foundation matching contributions for executive officers, and contributions by executive officers of Freddie Mac.
- **Open Market Transactions in Freddie Mac Securities.** A Director's independence will not be considered impaired because the Director, or an organization with which the Director is affiliated, buys or sells Freddie Mac securities in open market transactions or other armslength transactions (such as auctions), for the Director's own account or the account of others.

For independence determinations made prior to November 4, 2004, a Director may be deemed independent under the above criteria if the Director did not fall within any of the criteria during the past year, rather than during the past three years.

The Board will review Director relationships, if any, that do not fall within any of the above categories and will determine whether any such relationship impairs a Director's independence. Any such determination shall be published in Freddie Mac's annual proxy statement.

6. DIRECTOR QUALIFICATIONS AND NOMINATIONS: Freddie Mac's Board seeks candidates for election to the Board who have achieved a high level of stature, success and respect in their principal occupations. Directors must exemplify high standards of integrity and be committed both to Freddie Mac's public mission and to the interests of its stockholders. Freddie Mac seeks to have a diversity of talent on the Board. Candidates will be selected for their character, judgment, experience and expertise.

Directors must have the ability and time to commit to Board service. For this reason, a Director who has a full-time professional position should not serve on the board of directors of more than two publicly traded companies other than Freddie Mac and a Director who is fully retired should not serve on the board of more than four public companies other than Freddie Mac. Members of Freddie Mac's Audit Committee may not serve on more than two other public company audit committees. The Board may permit a Director to serve on other boards of directors and/or audit committees in excess of the above guidelines if the Board determines, in light of the nature of such commitments, that such service will not impair the Director's ability to serve effectively as a member of Freddie Mac's Board and the Committees on which the Director sits. Any such determination shall be published in Freddie Mac's annual proxy statement.

A Freddie Mac employee whose employment terminates while he or she is a member of the Board of Directors shall be deemed to have tendered his or her resignation as a Director, effective as of the date of termination of his or her employment. The Board shall determine whether the resignation should be accepted in light of applicable circumstances.

The Board recognizes the benefits to be gained from both long-term service and the periodic addition of new members to the Board. As part of the annual nomination process, the Governance and Nominating Committee considers the needs of the Company and the talents and skills then

available on the Board and makes appropriate recommendations. The Committee considers the independence of the stockholder-elected Directors, their willingness to continue to serve on the Board and devote the necessary time, the contributions that they have made to Board and Committee discussions and decision making, their continued involvement in business and professional activities relevant to the Company, the skills and experience that should be represented on the Board, the availability of other individuals with desirable skills to join the Board and the desire to maintain a diverse Board. The Committee then recommends, and the Board determines, whether to nominate such Directors for election for another term.

An Outside Director elected by the stockholders shall not be renominated for election to the Board if the Director will have served on the Board for ten years at the time of such election, unless the Board determines, on the recommendation of the Governance and Nominating Committee, that the interests of Freddie Mac and its stockholders strongly support continued service by that Director for another term. Any such determinations shall be disclosed in Freddie Mac's annual proxy statement. A Director shall not be renominated for more than one additional term on the basis of such a determination.

The Board has determined that the interests of Freddie Mac and its stockholders strongly support a transition period of service for the eight Directors who have served on the Board for six or more years at the time of the adoption of these Guidelines. To ensure an orderly transition to these Guidelines, four of those Directors may be renominated for no more than one additional term and the remaining four Directors may be renominated for no more than five additional terms, without any further express determination by the Board.

A Director elected by the stockholders who will have reached age 72 by the date of the next election of Directors shall not be renominated for election to the Board unless the Board determines, on the recommendation of the Governance and Nominating Committee, that the interests of Freddie Mac and its stockholders strongly support continued service by that Director for another term. Any such determination shall be disclosed in Freddie Mac's annual proxy statement. A Director shall not be renominated for more than one additional term on the basis of such a determination. The Board has determined that the interests of Freddie Mac and its stockholders strongly support a transition period of service for the three Directors who are 72 years of age or older at the time of the adoption of these Guidelines. To ensure an orderly transition to the Guidelines, those Directors may be renominated for no more than one additional term without any further express determination by the Board.

A change in a Director's status (such as a change in principal occupation) triggers a review by the Governance and Nominating Committee concerning the Director's continued membership on the Board.

7. SELECTION OF CHAIRPERSON: The Board elects one of its Directors as its Chairperson each year at its first meeting after the annual stockholders' meeting. If at any time the Chairperson is not an independent Outside Director, the Board also shall elect an independent Outside Director as Lead Director. If the Chairperson is an independent Outside Director, the Chairperson shall serve as Lead Director unless the Board elects another independent Outside Director to that position.

8. EXECUTIVE SESSIONS OF OUTSIDE DIRECTORS: The Outside Directors meet in executive session at each regular meeting of the Board, and at any additional times as the Chairperson (if an independent Outside Director), the Lead Director or a majority of the Outside

Directors may determine. If any of the Outside Directors are not independent, then the independent Outside Directors also shall meet separately at least once each year. The Chairperson (if an independent Outside Director) or the Lead Director sets the agenda for meetings of the Outside Directors and, if applicable, the independent Outside Directors, based on input from the other Directors eligible to attend such meetings, and presides over the meetings.

9. COMMUNICATIONS: Any investor, employee or other interested party may contact the Board at an address published on Freddie Mac's Internet website (www.freddiemac.com) and in its annual proxy statement. Comments or complaints relating to accounting, internal accounting controls or auditing matters will be forwarded to the Chair of the Audit Committee, for treatment pursuant to the Audit Committee's complaint procedures, and to the Lead Director. All other comments will be forwarded to the Lead Director. Comments that indicate that they are to be submitted to the Board anonymously or confidentially will be treated accordingly. You will receive a written acknowledgement from the Corporate Secretary upon receipt of your comment, unless it is anonymous.

The Lead Director or Chair of the Audit Committee, as applicable, will take whatever action he or she believes appropriate in response to such communications and may seek advice from the other Outside Directors, the Board, a Board Committee, independent advisors and/or management.

Employees may communicate with management, the Internal Audit Division or the Audit Committee of the Board to express concerns or complaints regarding accounting matters, internal accounting controls or auditing matters. Procedures for employees to submit such concerns and complaints, which may be submitted anonymously, are set forth in a Corporate Policy available to all employees. Management generally speaks on behalf of Freddie Mac. Public communications by the Board, when appropriate, will generally be made by, or at the direction of, the Chairperson.

10. ANNUAL BOARD PERFORMANCE EVALUATION: Each year, the standing Committees evaluate their performance. The Board also evaluates its performance and, with input from each of the standing Committees, the performance of those Committees. The Governance and Nominating Committee oversees those evaluations and, based on the evaluations, makes appropriate recommendations to the Board and the Committees concerning their policies and procedures.

The Board reviews the performance of individual stockholder-elected Directors annually in conjunction with the annual nomination process. Directors will also be asked regularly by the Chairman of the Governance and Nominating Committee to evaluate the information being provided to the Board by management.

11. SENIOR EXECUTIVE PERFORMANCE REVIEW AND COMPENSATION: The Compensation and Human Resources Committee evaluates the performance of Freddie Mac's senior executives annually, with advice from the Outside Directors, based on the Company's performance and other criteria.

In determining the compensation of the senior executives, the Compensation and Human Resources Committee considers Freddie Mac's performance, the executives' individual performance, their duties and responsibilities, and compensation for employment involving similar duties and responsibilities in similar businesses.

12. MANAGEMENT SUCCESSION: The Compensation and Human Resources Committee develops and maintains succession plans for Freddie Mac's senior executives. These plans include both the identification of one or more employees who could immediately fill each executive position

on an interim basis in the event of an emergency and the identification of one or more employees who could fill each position for a longer term based on a development plan. In the event of the CEO's inability to act or a vacancy in the position, the Chief Operating Officer will perform the CEO's duties until the Board appoints a temporary or long-term successor.

13. DIRECTOR ORIENTATION AND CONTINUING EDUCATION: The Board believes that an effective orientation program and ongoing education are beneficial in enabling Directors to fulfill their responsibilities. The Chairperson oversees development of the orientation program. The orientation for each new Director takes place as soon as practical after a Director joins the Board. The orientation consists of briefings by management that will assist the Director in effectively overseeing the Company and fulfilling the Director's duties. The orientation generally includes Freddie Mac's charter and mission, business strategy and plans, significant risk exposures and risk management, financial statements, Directors' responsibilities and regulatory oversight.

The Board and individual Directors advise management about desired topics for Board discussions and continuing education to assist in fulfilling their duties as Directors. Continuing education for Directors includes presentations on relevant topics by speakers in conjunction with Board meetings. Directors are encouraged to attend other continuing education programs relevant to their service as Directors. Freddie Mac pays Directors' expenses associated with continuing education.

14. DIRECTOR COMPENSATION AND INVESTMENT IN FREDDIE MAC STOCK: Each year, the Board reviews compensation for Outside Directors. The Board believes that appropriate Director compensation:

- Helps attract and retain superior candidates to serve on the Board;
- Should be weighted toward stock-based compensation to enhance alignment with stockholder interests, with restricted stock or other stock-based compensation constituting at least 50% of Director compensation; and
- Should reflect corporate performance relative to comparable companies.

Within three years after joining the Board, Directors are expected to hold an investment of at least \$100,000 in Freddie Mac stock unless the Compensation and Human Resources Committee determines that it is unduly burdensome for a Director to make such an investment.

Employee Directors do not receive additional compensation for their Board service.

15. DIRECTOR ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS: Board members have complete access to Freddie Mac's management during and between Board meetings. In addition, the Board encourages the Chairperson to invite members of management to attend Board and Committee meetings to make presentations or to be available to respond to questions. The Board encourages direct communication between Directors and members of management, not limited to senior management.

The Board, its Outside Directors and any Board Committee (acting by a majority in each case) may retain any outside advisors that they deem appropriate to assist in fulfilling their responsibilities. Management will make funds available to pay any such advisors as directed by the Board, the Outside Directors or any Board Committee.

16. CODE OF CONDUCT: Freddie Mac Directors are subject to a Code of Conduct that is adopted by the Board and must agree to comply with that Code. Freddie Mac employees are subject

to a Code of Conduct that is adopted by a Board Committee. Employees must certify annually that they are in compliance with the Code and must respond to an annual questionnaire from the Chief Compliance Officer concerning Code compliance. The Chief Compliance Officer reports to the Audit Committee at least annually on employee compliance with the Code of Conduct. The Director and employee Codes of Conduct are published on Freddie Mac's Internet website (www.freddiemac.com) and will be provided in print to any stockholder on request.

March 31, 2004

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF THE FEDERAL HOME LOAN MORTGAGE CORPORATION**

[Amended and Restated by the Board of Directors on March 31, 2004]

Organization, Membership Requirements and Committee Processes

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of the Federal Home Loan Mortgage Corporation (“Freddie Mac”) shall consist of at least three members. The membership of the Committee shall be independent and shall comply with all applicable laws, regulations and listing standards.

One member of the Committee shall be designated by the Board as the Committee’s Chairman.

The Committee generally shall hold at least six regularly scheduled meetings and a total of at least eight meetings each year. These meetings shall include regular sessions with management, executive sessions with the internal auditors and with the independent public accountants, and separate sessions with management as the Committee deems appropriate. The Committee’s Chairman shall report regularly to the Board on the Committee’s activities and minutes of the Committee’s meetings shall be submitted to the Board.

The members of the Committee shall have access to any employees of Freddie Mac, and shall have the authority to engage outside consultants or advisors including, but not limited to, attorneys, accountants, auditors and management consultants, as the Committee may deem appropriate to fulfill its responsibilities. Management shall provide appropriate funding for the retention of any such consultants or advisors and for other necessary and appropriate administrative expenses of the Committee, all as determined by the Committee.

Purposes, Powers, Duties and Responsibilities of the Committee

Pursuant to the authority granted to it by the Board, the Committee is hereby charged with the following authority and responsibilities:

1. To oversee the performance of the Internal Audit Department, including:
 - (a) to approve the Charter for the Internal Audit Department and any subsequent changes thereto;
 - (b) to hire and, at least annually, determine the compensation of, evaluate the performance of and determine whether to retain the Senior Vice President — General Auditor;
 - (c) to review, with the Senior Vice President — General Auditor the annual plan, organization and staffing for the Internal Audit Department for the upcoming year, including any amendments to such plan;
 - (d) to review, with the Senior Vice President — General Auditor, the results of audits completed since the previous report and the status of the internal audit plan; and

Audit Committee Charter

- (e) to assess the effectiveness of the Internal Audit Department in light of its Charter, its annual plan, and applicable professional standards.
2. To appoint and to oversee the performance of, and relationship with, the independent public accountants, who shall report directly to, and be ultimately accountable to, the Committee, including:
- (a) to appoint, evaluate and, as the Committee may deem it appropriate, to terminate and to replace the independent public accountants, in accordance with applicable legal requirements, including those relating to conflicts of interest and rotation of audit partners;
 - (b) to determine the compensation of the independent public accountants, funding for which shall be provided by management, and to approve any other fees that may be paid for services performed by any affiliate of the independent public accountants;
 - (c) to approve the independent public accountants' proposed audit scope and approach;
 - (d) to review with the independent public accountants and, as the Committee deems appropriate, with management, the annual audit, the management letter and management's responses to the letter, any other material written communications between the independent public accountants and management, including any such communications required by applicable professional standards, and any other matters the Committee may deem appropriate;
 - (e) to resolve any disagreements between management and the independent public accountants concerning financial reporting;
 - (f) to review with the independent public accountants any audit problems or difficulties and management's response;
 - (g) to obtain and review, at least annually, a formal written statement by the independent public accountants delineating all relationships between the independent public accountants and Freddie Mac, to discuss with the independent public accountants any disclosed relationships or services that may affect the objectivity and independence of the independent public accountants and to take appropriate action in response to the independent public accountants' statement to satisfy itself as to the continuing independence of the independent public accountants;
 - (h) to pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by the independent public accountants (or to designate one or more members of the Committee to pre-approve such services and to report such pre-approval to the Committee); and
 - (i) to obtain and review, at least annually, a report by the independent public accountants describing the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
3. To approve and review compliance with a policy concerning the hiring by Freddie Mac of current or former employees of the independent public accountants.

4. To approve and review compliance with a policy concerning the retention by Freddie Mac of accounting firms other than the independent public accountants.
5. To oversee the integrity of Freddie Mac's financial statements and disclosure, including:
 - (a) to review, with the independent public accountants and the Executive Vice President — Finance and Chief Financial Officer, the impact of any significant accounting, financial reporting or federal income tax financial reporting matters, changes or disputes affecting Freddie Mac's financial statements (including critical accounting policies, which include management judgments and estimates, and alternative accounting treatments);
 - (b) to review, with the independent public accountants and the Executive Vice President — Finance and Chief Financial Officer, drafts of Freddie Mac's quarterly condensed financial statements and annual financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations, and, if appropriate, to recommend to the Board that the audited annual financial statements be included in the Annual Report to Shareholders;
 - (c) to review with the Executive Vice President — Finance and Chief Financial Officer a summary of other significant Freddie Mac financial disclosure matters;
 - (d) to review with the Executive Vice President — Finance and Chief Financial Officer drafts of Freddie Mac's earnings press releases and the types of information to be disclosed, and the types of presentations to be made, in earnings guidance provided to analysts and rating agencies; and
 - (e) to review, with the Executive Vice President — Finance and Chief Financial Officer: the adequacy of Freddie Mac's disclosure controls and procedures, including internal controls over financial reporting; any significant findings or recommendations by the independent public accountants or the Senior Vice President — General Auditor with respect to those controls; and management's responses to any such findings or recommendations.
6. To prepare the Committee's report for inclusion in Freddie Mac's annual proxy statement, in accordance with applicable regulatory requirements.
7. To review the annual reports of examination of the Office of Federal Housing Enterprises Oversight regarding the safety and soundness of Freddie Mac, and the findings and conclusions of any investigations of Freddie Mac or its operations produced by any governmental entity.
8. To oversee Freddie Mac's compliance with legal and regulatory requirements, including:
 - (a) to review with the Senior Vice President — Chief Compliance Officer Freddie Mac's compliance with legal and regulatory requirements and to meet at least annually with the Senior Vice President — Chief Compliance Officer in executive session;
 - (b) to adopt and maintain procedures for the submission, receipt, retention and treatment of complaints concerning accounting, internal accounting controls, or auditing matters (including confidential, anonymous complaints by employees), and to oversee the submission and resolution of such complaints;
 - (c) to take action, as the Committee deems appropriate, to investigate and respond to any report by an attorney of evidence of a material violation of federal or state securities law, material breach of fiduciary duty or other similar violation of federal or state law;

- (d) to obtain from the Senior Vice President — Chief Compliance Officer, outside counsel, or any other internal or external party who investigates any complaint or report as specified in (b) or (c) above, a report concerning the issues, status and resolution of the complaint or report; and
 - (e) to review, at least annually, Freddie Mac’s compliance with capital and reporting requirements of the Office of Federal Housing Enterprise Oversight.
9. To review with Freddie Mac’s Executive Vice President — General Counsel, at least annually, the status of litigation in which Freddie Mac is involved, with such review to be more frequent in the case of litigation which is expected to have a significant impact on Freddie Mac’s financial statements.
10. To review, with Freddie Mac’s Senior Vice President — Information Systems and Services, at least annually, the status of Freddie Mac’s information security program.
11. To review, with the Executive Vice President — Finance and Chief Financial Officer, the Senior Vice President — Chief Enterprise Risk Officer, and other members of management, as appropriate, management’s assessment of Freddie Mac’s market, credit and operational risk exposures and the adequacy of Freddie Mac’s risk management planning and the systems and processes employed by management to identify, measure, monitor and control those risks.
12. With respect to the Corporation’s Codes of Conduct:
- (a) to approve material amendments to the Code of Conduct for Freddie Mac Employees (the “Employee Code”) and to report to the Board at least annually on such amendments;
 - (b) to recommend to the Board, as may be appropriate, changes to the Code of Conduct for Members of Freddie Mac’s Board of Directors (the “Director Code”); and
 - (c) to review any significant violations or waivers of the Employee Code and the Director Code that have occurred since the previous report of such matters to the Committee.
13. To review, at least annually, under the oversight of the Governance and Nominating Committee, this Committee’s performance, including review of its structure and operations (including authority to delegate to subcommittees), its process for reporting to the Board, and the process for determining the membership of the Committee, including qualifications for Committee membership.
14. To review and reassess the adequacy of the Committee’s Charter on an annual basis and recommend any changes to the Board for approval.
15. To perform such other duties as may from time to time be assigned by the Board or requested by the Board’s Chairman or the Lead Director.

**FEDERAL HOME LOAN MORTGAGE CORPORATION
2004 STOCK COMPENSATION PLAN**

Effective November 4, 2004

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**FEDERAL HOME LOAN MORTGAGE CORPORATION
2004 STOCK COMPENSATION PLAN**

**ARTICLE I
Establishment of the Plan**

1.1 *Purposes.* The purposes of this 2004 Stock Compensation Plan of the Federal Home Loan Mortgage Corporation are to promote the success of the Corporation and its stockholders by providing an additional means to attract, retain, motivate, and reward officers and employees of the Corporation and its Affiliates, to link compensation of such persons to measures of the Corporation's performance in order to provide incentives for high levels of performance, and to enable such persons to acquire or increase a proprietary interest in the Corporation in order to promote a closer identity of interests between such persons and the Corporation's stockholders.

1.2 *Effective Date.* This Plan shall be effective upon the approval of the Corporation's stockholders as set forth in Section 9.12.

1.3 *Plan Name.* The name of the Plan is the Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan.

**ARTICLE II
Definitions**

2.1 *Affiliate.* An organization some or all of the employees of which are designated by the Committee as eligible to participate in this Plan.

2.2 *Annual Limit.* The number of shares used to determine a Participant's per-person Award limitation under Section 5.2.

2.3 *Award.* Any Option, Stock Appreciation Right, Restricted Stock, Deferred Stock, Stock Bonus, Dividend Equivalent, Performance Award, Other Stock-Based Award or any combination thereof, granted under the Plan.

2.4 *Award Document.* Any written or electronic agreement, contract, notice, or other instrument or document evidencing an Award. The use of an "electronic record" and an "electronic signature" in connection with any Award Document shall be governed by the federal Electronic Signatures in Global and National Commerce Act of 2000 (E-SIGN) or the Uniform Electronic Transactions Act (UETA) as enacted by the Commonwealth of Virginia, as applicable. The terms "electronic records" and "electronic signature" shall have the meanings ascribed to such terms in E-SIGN or the Virginia UETA, as applicable.

2.5 *Beneficiary.* The person(s) or trust(s) which have been designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits in connection with an Award upon such Participant's death, or to whom or to which an Award or rights relating thereto are transferred if and to the extent permitted under Section 6.6. If, upon a Participant's death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means the person(s) or trust(s) entitled by will or the laws of descent and distribution to receive such benefits.

2.6 *Board.* The Board of Directors of the Corporation.

2004 Stock Compensation Plan

2.7 *Code.* The Internal Revenue Code of 1986, as amended from time to time.

2.8 *Committee.* The Compensation and Human Resources Committee of the Board, or such other Board committee as may be designated by the Board to administer the Plan; provided, however, that the Committee shall at all times consist solely of two or more directors, each of whom is not an employee of the Corporation or an Affiliate. The full Board may perform any function of the Committee hereunder in which case the term “Committee” shall refer to the Board.

2.9 *Common Stock.* The Common Stock, \$0.21 par value, of the Corporation and such other common stock as may be substituted or resubstituted for Common Stock pursuant to an adjustment under Section 4.4.

2.10 *Corporation.* The Federal Home Loan Mortgage Corporation.

2.11 *Deferred Stock.* An Award under Section 7.4 representing a contractual right to receive delivery of a specified number of shares of Common Stock, or shares of Common Stock having a specified Fair Market Value at a specified date, at the expiration of a period or periods of deferral, and subject to terms and conditions as the Committee may specify. These terms and conditions can include a risk of forfeiture, which need not extend for the entire period of deferral; in such case, for purposes of the Plan the Award will be referred to as a “Restricted Stock Unit.”

2.12 *Disability.* A condition resulting in a Participant’s Termination and which is a disability under the terms of the Corporation’s Long-Term Disability Plan as in effect at the time of the Participant’s termination of employment; *provided, however,* that the Committee may specify a different definition of “Disability” in the Award Document.

2.13 *Dividend Equivalent.* An Award under Section 7.6 giving the Participant a right (which may be conditional) to receive cash, Common Stock, other Awards, or other property equal in value to dividends paid with respect to a specified number of shares of Common Stock, and subject to such other conditions as the Committee may specify.

2.14 *Employee.* Any officer or employee of the Corporation or an Affiliate who is not a Senior Executive.

2.15 *Fair Market Value.* The average of the high and the low sale prices of a share of Common Stock reported for composite transactions in the New York Stock Exchange listed securities in print or electronically by The Wall Street Journal or by another recognized provider designated by the Committee for such date or, if no such prices are reported for such date, on the most recent trading day prior to such date for which such prices were reported; provided, however, that the Committee may, in good faith, establish alternative methods or procedures for determining Fair Market Value.

2.16 *Incentive Stock Option or ISOs.* Any Option that is designated as an incentive stock option and qualifies as such within the meaning of Section 422 of the Code.

2.17 *1995 Plan.* The Corporation’s 1995 Stock Compensation Plan that became effective May 2, 1995.

2.18 *Nonqualified Stock Option.* Any Option which is not an Incentive Stock Option.

2.19 *Option.* An Award under Section 7.1 representing a conditional right to purchase, upon the exercise of the right by the Participant or his or her Beneficiary, a specified number of shares of Common Stock at a fixed price during a specified period or periods, and subject to such other conditions as the Committee may specify.

2.20 *Other Stock-Based Award.* An Award under Section 7.7 denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Common Stock or factors that may influence the value of Common Stock, as determined by the Committee, and subject to such other conditions as may be specified by the Committee.

2.21 *Participant.* A person who, as a Senior Executive or Employee of the Corporation or any Affiliate, has been granted an Award under the Plan.

2.22 *Performance Award.* An Award that is subject to any performance condition or conditions imposed by the Committee under Article VIII.

2.23 *Plan.* This 2004 Stock Compensation Plan.

2.24 *Restricted Stock.* An Award under Section 7.3 pursuant to which a specified number of shares of Common Stock are granted to the Participant, subject to a risk of forfeiture and restrictions on transferability until the expiration of a specified restricted period or periods, and subject to such other conditions as the Committee may specify.

2.25 *Restricted Stock Unit or RSU.* An Award of Deferred Stock that is subject to a risk of forfeiture until the expiration of a specified restricted period or periods, with settlement on the date the risk of forfeiture lapses or at a later specified date.

2.26 *Retirement.* A Termination that is a retirement in accordance with the eligibility provisions and retirement benefit provisions of Articles V and VI, respectively, of the Federal Home Loan Mortgage Corporation Employees' Pension Plan as in effect at the time of the Participant's termination of employment; *provided, however*, the Committee may specify a different definition of Retirement in the Award Document.

2.27 *Senior Executive.* An employee of the Corporation or an Affiliate who is a Senior Vice President or who is senior to such an officer.

2.28 *Stock Appreciation Right or SAR.* An Award under Section 7.2 representing a right to receive cash, Common Stock, other Awards, or other property equal in value to the excess of (a) the Fair Market Value of one share of Common Stock on the date of exercise, over (b) the grant price of the SAR as determined by the Committee as of the date of grant of the SAR. SARs shall be subject to such other conditions as the Committee may specify.

2.29 *Stock Bonus.* An Award of Common Stock granted as a bonus under Section 7.5, subject to such conditions as the Committee may specify.

2.30 *Termination.* A termination of employment of the Participant immediately after which the Participant is not an employee of either the Corporation or any Affiliate. Conversion from full-time to part-time employment shall not be deemed to be a Termination.

ARTICLE III
Administration

3.1 *Authority of the Committee Generally.* The Plan shall be administered by the Committee. The Committee shall have full and final authority to take the following actions, in each case subject to and consistent with the provisions of the Plan:

- (a) to select Senior Executives and Employees to whom Awards may be granted;
- (b) to determine the type or types of Awards to be granted to each person selected to become a Participant, and the time or times at which Awards may be granted;
- (c) to determine the number of Awards to be granted, the number of shares of Common Stock subject to an Award, the terms and conditions of any Award granted under the Plan including, but not limited to, any exercise price, grant price, or purchase price, automatic exercise of Options, any restriction or condition, any schedule or performance conditions for the lapse of restrictions or conditions relating to transferability, forfeiture, exercisability, or settlement of an Award (subject to Section 6.2), and waivers, accelerations, or modifications of any such schedule or performance conditions (subject to Section 9.4(b)), based in each case on such considerations as the Committee shall determine, and all other matters to be determined in connection with an Award;
- (d) to determine whether, to what extent, and under what circumstances an Award may be settled or an Award may be canceled, forfeited, or surrendered, and the method of payment of the exercise price or purchase price of an Award, including but not limited to cash, Common Stock, other Awards, or other property;
- (e) to determine whether, to what extent, and under what circumstances cash, Common Stock, other Awards, or other property payable with respect to an Award will be deferred either automatically, at the election of the Committee, or at the election of the Participant;
- (f) to prescribe the form of each Award Document, which need not be identical for each Participant;
- (g) to adopt, amend, suspend, waive, and rescind such rules and regulations as the Committee may deem necessary or advisable to administer the Plan;
- (h) to correct any defect or supply any omission or reconcile any inconsistency in the Plan;
- (i) to construe and interpret the Plan and any Award, rules and regulations, Award Document, or other instrument hereunder, and to determine the rights and benefits pertaining to any Participant or Beneficiary;
- (j) to retain experts to advise and assist the Committee in performing its functions hereunder and otherwise in the administration of the Plan; and
- (k) to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

3.2 *Scope of Committee Authority.* Unless authority is specifically reserved to the Board under the terms of the Plan, the Corporation's Charter or Bylaws, or applicable law, the Committee may exercise its authority under the Plan in its sole discretion. Any action of the Committee with respect to the Plan shall be final, conclusive, and binding on all persons, including the Corporation,

Participants, any Beneficiary or other person claiming any rights under the Plan from or through any Participant, and stockholders. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The foregoing notwithstanding, a grant made by the Committee or other action taken by the Committee may be made contingent upon approval of the Board or a majority of the independent directors serving on the Board as a condition of the effectiveness of such grant or action.

3.3 Delegation of Committee Authority. The Committee may delegate any or all of its authority under this Article III relating to the selection of Employees for participation, the grant of Awards to Employees, and other actions under the Plan relating to Employees, to the extent permitted by applicable law. Such delegation shall be made only to the Chief Executive Officer, another Senior Executive or a committee of two or more Senior Executives (which may include the Chief Executive Officer). In the case of any such delegation, references in the Plan to the Committee shall be deemed to include the Chief Executive Officer, Senior Executive or committee to which authority has been delegated with respect to Employees; provided, however, that the Committee may impose any term or limitation upon the exercise of such delegated authority hereunder not inconsistent with the Plan. The Committee may not make such delegation with respect to any Senior Executive, except as to ministerial functions. In this regard, the Committee may delegate to officers or other employees of the Corporation, subject to such terms as the Committee shall determine, the duty to perform ministerial functions under the Plan.

3.4 Limitation on Repricing. Without the prior approval of the Corporation's stockholders, the Committee will not amend or replace previously granted Options or SARs in a transaction that constitutes a "repricing." "Repricing" means: (a) lowering the exercise price of an Option or grant price of a SAR after it is granted, (b) canceling an Option or SAR at a time when its exercise price or grant price exceeds the fair market value of the underlying stock, in exchange for another Option, SAR, Restricted Stock or other equity, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction, (c) any other action that is treated as a repricing under generally accepted accounting principles, or (d) any other action that has the same effect as those itemized in (a) through (c); provided, however, that any adjustment authorized by Section 4.4 shall under no circumstances be considered a "repricing."

3.5 Good Faith Reliance. Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Corporation, the Corporation's independent public accountants, or any compensation consultant, legal counsel, or other professional retained by the Corporation to assist in the administration of the Plan.

3.6 Indemnification. In the event and to the extent the members of the Committee, and any Employee or Senior Executive acting on behalf of the Committee, are not insured by any insurance company pursuant to provisions of any applicable insurance policy, the Corporation shall indemnify and hold harmless each such person against all liability (including the obligation to pay a judgment, settlement, penalty or fine, including any excise tax assessed with respect to an employee benefit plan) and expense (including attorneys' fees) reasonably incurred by him, her or it in connection with any and all claims, demands, suits or proceedings in connection with the Plan that may be brought by the Corporation's Senior Executives, Employees, Participants or their Beneficiaries or legal representatives, or by any other person, corporation, entity, government or agency thereof, except such liabilities and expenses as are incurred because of the Committee member's, Senior

Executive's or Employee's willful misconduct or knowing violation of the criminal law; provided, however, that the Corporation may not indemnify any person in connection with any proceeding charging improper personal benefit to the person, whether or not involving action in his or her official capacity, to the extent that such person is adjudged liable on the basis that the personal benefit was improperly received by such person. This right of indemnification shall be in addition to any other rights to which any member of the Committee may be entitled to as a matter of law.

ARTICLE IV

Common Stock Available Under the Plan; Adjustments

4.1 *Common Stock Available for Delivery.* Subject to adjustment as hereinafter provided, the number of shares of Common Stock authorized for delivery in connection with Awards under the Plan shall be (i) 10,000,000 plus (ii) that number of shares of Common Stock that, immediately prior to the effectiveness of this Plan, remain authorized and available for awards under the 1995 Plan (without regard to the termination of the 1995 Plan) or thereafter become available as provided in Section 4.2 below. The forgoing notwithstanding, the total number of shares that may be delivered in connection with Awards other than Options, SARs and Awards for which the Participant pays the intrinsic value directly or by forgoing a right to receive a cash payment from the Corporation shall not exceed 50% of the total number of shares reserved under the Plan. The limitation on full-value Awards under this Section 4.1 shall be subject to Section 4.2 and subject to adjustment as provided in Section 4.4.

4.2 *Share Counting.*

(a) *Generally.* No Award may be granted if the number of shares the Committee determines to be deliverable under such Award, when added to the number of shares determined to be deliverable under then-outstanding Awards, exceeds the Committee's good faith estimate of the number of shares then remaining available for delivery or other applicable limitation under this Article IV.

(b) *Shares Available for Grants.* Only the number of shares actually delivered to the Participant upon exercise of an Option or SAR or upon settlement of other Awards, or, in the case of Restricted Stock, the number of shares that have been delivered to the Participant and which have become non-forfeitable, will be counted against the number of shares reserved under the Plan. Thus, for example, if an Award expires or is forfeited, an Award is settled in cash, shares are withheld from an Award or separately surrendered to pay the exercise price of an Option or to satisfy tax withholding obligations relating to an Award, fewer shares are delivered upon exercise of a SAR than the number to which the SAR related, or shares that had been issued as Restricted Stock are forfeited, those shares will again be available for Awards under the Plan and will not count against share limitations under Section 4.1. Shares subject to outstanding awards under the 1995 Plan will be counted and deemed available in accordance with the share counting provisions set forth in this Section 4.2. The Committee may adopt procedures for the counting of shares relating to any Award to ensure appropriate counting and avoid double counting (as in the case of tandem or substitute awards), and, for administrative convenience, the Corporation may implement share counting under this Section 4.2(b) in a manner that diverges from the share counting rules set forth herein so long as any such divergence results only in a greater number of shares being counted against the share limitations under Section 4.1. Shares will be available under clause (ii) of Section 4.1

and this Section 4.2 for the grant of ISOs only to the extent consistent with applicable regulations relating to ISOs under the Code.

4.3 *Source of Common Stock.* Any shares of Common Stock delivered pursuant to an Award may consist, in whole or in part, of authorized but previously unissued shares, treasury shares, or shares acquired in market transactions on behalf of the Participant.

4.4 *Adjustments.*

(a) *Adjustments In Response to Corporate Events.* In the event that the Committee shall determine that any large, special and non-recurring dividend or other distribution (whether in the form of cash or other property), recapitalization, forward or reverse split, dividend of Common Stock, reorganization, merger, consolidation, spin-off, combination, repurchase or share exchange, rights offering, or other similar corporate transaction or event affects the Common Stock, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Common Stock then authorized for delivery for Awards under Section 4.1, including the limitation on Awards other than Options and SARs and each Participant's Annual Limit, and (ii) if an adjustment is necessary in order to prevent dilution or enlargement of the rights of Participants under the Plan, as determined by the Committee, (A) the number and kind of shares of outstanding Restricted Stock or other outstanding Award in connection with which shares have been issued or delivered, (B) the number and kind of shares that may be issued or delivered in respect of other outstanding Awards, (C) the exercise price, grant price, or purchase price relating to any Award (or, if deemed appropriate, the Committee may make provision for a cash payment with respect to any outstanding Award) and (D) any other term relating to an Award. Unless otherwise determined by the Committee, in the event of a forward split of Common Stock or a dividend in the form of Common Stock, each adjustment specified in 4.4(a) (i) and (ii) (A), (B) and (C) shall be effected automatically by multiplying the relevant pre-transaction number of shares by the ratio of the number of shares deliverable in respect of each outstanding share, and multiplying the exercise price of each outstanding Option by the inverse of that ratio.

(b) *Other Adjustments to Award Terms.* The Committee is further authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding Section) affecting the Corporation or any Affiliate or the financial statements of the Corporation or any Affiliate, or in response to changes in applicable laws, regulations, or accounting principles.

(c) *Limitation on Adjustments Affecting ISOs.* The foregoing notwithstanding, no adjustments shall be authorized under this Section 4.4 with respect to Incentive Stock Options or Awards in tandem therewith to the extent that such authority would cause an Incentive Stock Option to fail to comply with Section 422(b) of the Code.

ARTICLE V

Eligibility

5.1 *Persons Eligible.* Senior Executives and Employees, including directors of the Corporation who are also employees, are eligible to be granted Awards under the Plan.

5.2 *Annual Per-Person Award Limitations.* In each calendar year during any part of which the Plan is in effect, an eligible person may be granted Awards relating to shares up to but not exceeding his or her Annual Limit. A Participant's Annual Limit shall equal two million (2,000,000) shares plus the amount, if any, of the Participant's unused Annual Limit relating to such share-denominated Awards as of the close of the previous year, subject to adjustment as provided in Section 4.4.

5.3 *No Rights to Awards.* No Senior Executive or Employee shall have any claim to be granted any Award under the Plan, absent a valid written commitment or electronic record of commitment of the Committee or an authorized delegate to grant such Award, and there is no obligation for uniformity of treatment of Participants. Any such commitment shall contain the written or "electronic signatures" (as defined in Section 2.4) of an authorized representative of the Corporation.

ARTICLE VI

Terms of Awards

6.1 *General.* Awards may be granted generally on the terms and conditions set forth in Articles VI and VII. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter, subject to Section 9.4 and Article III, such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine and specify in an Award Document whether in writing or in electronic form.

6.2 *Minimum Vesting Requirements.*

(a) *Options and SARs.* Options, SARs and any other Award carrying a right to exercise shall be forfeitable for at least one year after the date of grant, except in the event of a Participant's death, Disability or Retirement or in the event of a change in control of the Corporation (as such change may be defined by the Committee) or other special circumstances. Except as provided herein, Options, SARs and any other Award carrying a right to exercise shall not be exercisable prior to the time the risk of forfeiture on the Award shall lapse, except in cases in which all net proceeds of exercise remain subject to substantially the same risk of forfeiture.

(b) *Restricted Stock, RSUs and Other Non-Option/Non-SAR Awards.* If the vesting of Restricted Stock, RSUs, and other non-Option/non-SAR Awards for which the Participant does not make a payment or surrender rights to payment having substantial value is not based on the achievement of one or more performance conditions, such Awards will vest (*i.e.*, become non-forfeitable) over a minimum period of three years after the date of the grant, except in the event of a Participant's death, Disability, or Retirement, or in the event of a change in control of the Corporation (as such change may be defined by the Committee) or other special circumstances. If the vesting of such Awards is based on the achievement of one or more performance conditions, such Awards will vest (*i.e.*, become non-forfeitable upon the satisfaction of a performance condition) over a minimum period of one year after the date of the grant, except in the event of a Participant's death, Disability or Retirement, or in the event of a change in control of the Corporation (as such change may be defined by the Committee) or other special circumstances.

(c) *Other Vesting Terms.* For purposes of this Section 6.2, (i) vesting over a three-year period will include periodic vesting over such period, (ii) a pre-announced period in which service is

required as a condition to the grant of any Award may count toward the minimum vesting period required under this Section 6.2, if so determined by the Committee, or (iii) with respect to Awards that otherwise would be subject to the minimum vesting requirements of Section 6.2(b) and notwithstanding those requirements, up to 5% of the shares of Common Stock authorized for issuance under the Plan may be granted as non-performance based Awards with vesting terms not conforming to the three-year minimum vesting requirement of this Section 6.2 and instead may be granted with a one-year minimum vesting requirement identical to the requirement in Section 6.2(a).

6.3 Stand-Alone, Additional, Tandem, and Substitute Awards. Awards granted under the Plan may, in the discretion of the Committee, be granted on a stand-alone basis or in addition to, in tandem with, or in substitution for any other Award, for any option or other equity award granted under another plan, or for any other right of a Participant to receive payment from the Corporation or an Affiliate, subject to Section 9.4(b). Thus, Awards may be granted in substitution for outstanding options or other equity awards of a business entity being acquired by the Corporation or an Affiliate. Subject to Section 3.4 and Section 9.4(b), the Committee may determine that, in granting a new Award, an amount not exceeding the in-the-money value of any surrendered Award or award granted under another plan may be applied to reduce the exercise price of any Option, grant price of any SAR, or purchase price of any other Award, or that the fair value of any surrendered Award or award may be applied to reduce the fair-value purchase price of any other Award, and the vesting requirement of the new Award may be reduced by taking into account the vesting period that has been satisfied with respect to the surrendered Award or award (in proportion to the value of the awards).

6.4 Maximum Term of Awards. The term of each Award shall be for such period as may be determined by the Committee, except that the term of any Option or SAR shall not exceed ten years from the date of grant of the Award.

6.5 Form of Payment Under Awards. Subject to the terms of the Plan and any applicable Award Document, payments to be made by the Corporation or an Affiliate upon the grant, exercise, or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Common Stock, other Awards, or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis as determined by the Committee. Such payments may include, without limitation, provisions for (i) the payment or crediting of reasonable interest on installment or deferred payments or (ii) the grant or crediting of Dividend Equivalents in respect of installment or deferred payments denominated in Common Stock. The Committee may, in its discretion, permit Participants to make an election with respect to deferral of shares deliverable upon exercise of any Option or SAR or settlement of any other Award under this Plan, subject to such terms and conditions as the Committee may specify.

6.6 Limitations on Transferability. Awards and any other rights under the Plan will not be transferable by a Participant except by will or the laws of descent and distribution (or to a designated Beneficiary in the event of the Participant's death), and, if exercisable, shall be exercisable during the lifetime of a Participant only by such Participant or his guardian or legal representative. No transfer by will or the laws of descent and distribution shall be effective to bind the Corporation unless the Corporation shall have been furnished with a copy of such will or other evidence as the Corporation may deem necessary to establish the validity of the transfer. Awards and other rights under the Plan may not be pledged, mortgaged, hypothecated, or otherwise

encumbered, and shall not be subject to the claims of creditors. The foregoing notwithstanding, if and to the extent expressly permitted by the Committee, and subject to such terms and conditions as established by the Committee, such Awards and other rights (other than Incentive Stock Options and Awards in tandem therewith) may be transferred by a Participant to one or more Beneficiaries, and may be exercised by such Beneficiaries in accordance with the terms of such Award.

6.7 *No Stockholder Rights.* No Award shall confer on any Participant any of the rights of a stockholder of the Corporation unless and until Common Stock is duly issued or transferred to the Participant in accordance with the terms of the Award or, in the case of an Option, at such time at or after the exercise of the Option as may be specified by the Committee in order to facilitate exercise procedures.

6.8 *Insider Trading Policies Apply; Additional Forfeiture Conditions.* A Participant's rights under any Award, including rights to exercise or receive settlement and rights to sell any Common Stock delivered in connection with an Award, are subject to the terms of the Corporation's Code of Conduct (or any successor thereof) and related policies on insider trading and may be restricted by those documents. Such restrictions currently include limitations on the times at which the Participant may engage in such transactions. In addition, the Committee may impose on any Award additional forfeiture conditions that protect the Corporation and its Affiliates. Such additional forfeiture conditions may include provisions that the Award, or amounts of cash, Common Stock, or other property realized by the Participant as income or gain as a result of the Award, shall be forfeited or repaid to the Corporation if the Participant fails to comply with conditions relating to non-solicitation of employees, customers and suppliers, non-competition, preservation and appropriate use of proprietary and confidential information of the Corporation and Affiliates, return of property, non-disparagement of the Corporation and Affiliates, cooperation in litigation, and other restrictions protecting the Corporation and Affiliates. Such conditions may apply to events occurring following Termination.

ARTICLE VII

Forms of Awards

7.1 *Options.* The Committee is authorized to grant Options, which may be either Incentive Stock Options or Nonqualified Stock Options, to Participants on the following terms and conditions:

(a) *Exercise Price.* The exercise price per share of Common Stock purchasable under an Option shall be determined by the Committee; provided, however, that such exercise price shall be not less than the Fair Market Value of a share on the date of grant of such Option (subject to Section 6.3).

(b) *Time and Method of Exercise.* The Committee shall determine the time or times at which an Option may be exercised in whole or in part (subject to Section 6.2 and Section 6.4); the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, including, without limitation, cash, Common Stock (including through withholding of Common Stock deliverable upon exercise, if such withholding will not result in additional accounting expense to the Corporation), other Awards or awards granted under other plans of the Corporation, or other property, or through broker-assisted "cashless exercise" arrangements to the extent permitted by applicable law (subject to Section 3.4); and the methods by which Common Stock will be delivered or deemed to be delivered to Participants.

(c) *Incentive Stock Options.* The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code.

7.2 *Stock Appreciation Rights.* The Committee is authorized to grant SARs to Participants on the following terms and conditions:

(a) *Grant Price.* The grant price of a SAR shall be determined by the Committee as of the date of grant of the SAR, provided, however, that the grant price of a SAR shall be not less than the Fair Market Value of one share of Common Stock on the date of grant (subject to Section 6.3).

(b) *Exercise of SAR and Other Terms.* The Committee shall determine the time or times at which a SAR may be exercised in whole or in part (subject to Section 6.2 and Section 6.4), the method of exercise, method of settlement, form of consideration payable in settlement, method by which Common Stock will be delivered or deemed to be delivered to Participants, whether a SAR shall be in tandem with any other Award or shall be free-standing, and any other terms and conditions of any SAR. A SAR may be exercised by the Participant, his or her Beneficiary, or automatically during a specified period or periods.

7.3 *Restricted Stock.* The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

(a) *Restrictions Generally.* Restricted Stock shall be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, or otherwise as the Committee may determine (subject to Section 6.2). Except to the extent restricted under the terms of the Plan and any Award Document relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder including, without limitation, the right to vote Restricted Stock and the right to receive dividends thereon.

(b) *Forfeiture.* In addition to the risk of forfeiture imposed under Section 6.2, upon Termination during the applicable restriction period Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Corporation; provided, however, that the Committee may provide, by rule or regulation or in any Award Document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of death, Disability, Retirement or other Terminations resulting from specified causes or in the event of a change in control of the Corporation (as such change may be defined by the Committee), except as otherwise provided in Section 6.2.

(c) *Certificates or other Evidence of Ownership of Common Stock.* Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, such certificates shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, or shall be required to be transferred into the name of a custodian designated by the Corporation. In either case, the Corporation or such custodian shall retain physical possession of the certificate, and the Participant shall, upon the request of the Corporation at any time, deliver a stock power to the Corporation, endorsed in blank if so requested by the Corporation, relating to the Restricted Stock.

(d) *Dividends and Distributions.* Dividends paid on Restricted Stock shall be either paid at the dividend payment date in cash or in shares of unrestricted Common Stock having a Fair Market Value equal to the amount of such dividends, or the payment of such dividends shall be deferred and/or the amount or value thereof automatically reinvested in additional Restricted Stock, other Awards, or other investment vehicles, as the Committee shall determine or permit the Participant to elect. Unless otherwise determined by the Committee, Common Stock distributed in connection with a Common Stock split or Common Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Common Stock or other property is distributed.

7.4 *Deferred Stock.* The Committee is authorized to grant Deferred Stock to Participants, subject to the following terms and conditions:

(a) *Deferral of Delivery and Restrictions.* Delivery of Common Stock will occur upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions as the Committee may impose, if any, which restrictions may lapse at the expiration of the deferral period or at earlier specified times, separately or in combination, under such circumstances, in such installments, or otherwise as the Committee may determine.

(b) *Forfeiture.* Deferred Stock that is subject to a risk of forfeiture is referred to as RSUs. In addition to the risk of forfeiture imposed under Section 6.2, upon Termination during the applicable deferral period or portion thereof to which forfeiture conditions apply (as specified by the Committee in the Award Document evidencing the RSUs), all RSUs that are at that time subject to such risk of forfeiture shall be forfeited; provided, however, that the Committee may provide, by rule or regulation or in any Award Document, or may determine in any individual case, that restrictions or forfeiture conditions relating to RSUs will be waived in whole or in part in the event of death, Disability, Retirement or other Terminations resulting from specified causes or in the event of a change in control of the Corporation (as such change may be defined by the Committee), except as otherwise provided in Section 6.2.

7.5 *Stock Bonus; Awards in Lieu of Other Obligations.* Stock Bonuses granted hereunder shall be subject to the provisions of Section 6.2 and to other terms and conditions as shall be determined by the Committee; provided, however, that the Committee is authorized to grant Stock Bonuses (or other Awards) which are not subject to the provisions of Section 6.2, so long as the Committee has determined that such Awards are in lieu of obligations that the Corporation or an Affiliate otherwise owes to an Employee or Senior Executive who makes a payment or surrenders a right to payment having substantial value.

7.6 *Dividend Equivalents.* The Committee is authorized to grant Dividend Equivalents to a Participant. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or upon the settlement of the underlying Award. The Committee also may provide that Dividend Equivalents shall be reinvested or deemed reinvested in additional Common Stock, Awards, or other investment vehicles, and shall be subject to such restrictions on transferability and risks of forfeiture, as the Committee may specify.

7.7 Other Stock-Based Awards. The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Common Stock and factors that may influence the value of Common Stock, as deemed by the Committee to be consistent with the purposes of the Plan. The Committee shall determine the terms and conditions of such Awards. Common Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 7.7 shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Common Stock, other Awards, or other property, as the Committee shall determine.

ARTICLE VIII Performance Awards

8.1 Performance Awards Generally. The Committee is authorized to grant Performance Awards on the terms and conditions specified in this Article VIII. Performance Awards may be denominated as a number of shares of Common Stock, or specified number of other Awards that may be earned upon achievement or satisfaction of performance conditions specified by the Committee (for example, performance shares, where the number of RSUs or Deferred Shares earned can vary upward or downward based on performance). In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Sections 8.2.

8.2 Performance Awards Subject to Pre-Established Terms. If the Committee determines that a Performance Award to be granted to an eligible person should be subject to preestablished terms that limit discretion, the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of a preestablished performance goal or goals and other terms set forth in this Section 8.2.

(a) *Performance Goal.* The performance goal for such a Performance Award shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 8.2. The performance goal shall be objective, and, at the time such performance goal is established, the type and levels of performance required shall be such that achievement of the performance goal shall be substantially uncertain. The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or upon achievement of two or more performance goals. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

(b) *Business Criteria for Performance Goals.* One or more of the following business criteria relating to the Corporation, on a consolidated basis, and/or to specified subsidiaries or affiliates or other business units of the Corporation, shall be used by the Committee in establishing performance goals for such Performance Awards: (1) mission measures: affordable housing goals, low-cost financing initiatives, quality-of-business measures, customer initiatives and customer satisfaction; (2) operational improvement measures: risk management, enhancing

operational stability, improving or otherwise advancing disclosure controls, cost reductions, productivity, and legal and regulatory compliance; (3) capital management measures; and (4) financial measures: interest income, revenues, income before income taxes, extraordinary items and/or cumulative effect of changes in accounting principles, revenues, net income or net income per common share (basic or diluted), return on assets (gross or net), return on investment, return on capital, or return on equity, cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital, interest expense or non-interest expense, economic value created or otherwise maximizing long-term value, operating margin or profit margin, and stock price or total stockholder return. The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

(c) *Performance Period; Timing for Establishing Performance Goals; Per-Person Limit.* Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period specified by the Committee. A performance goal shall be established not later than the earlier of (i) 90 days after the beginning of any performance period applicable to such Performance Award or (ii) the time 25% of such performance period has elapsed. In all cases, the maximum Performance Award of any Participant shall be subject to the limitation set forth in Section 5.2.

8.3 *Settlement of Performance Awards; Other Terms.* Settlement of such Performance Awards shall be in Stock, other Awards or other property, in the discretion of the Committee. The Committee may, in its discretion, increase or reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, except that, in the case of a Performance Award subject to Section 8.2, the exercise of such discretion is limited to reducing the amount payable in respect of the Performance Award. The Committee may specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant or other event (including a change in control) prior to the end of a performance period or prior to settlement of such Performance Awards.

8.4 *Written Determinations.* Determinations by the Committee as to the establishment of performance goals, the amount potentially payable in respect of Performance Awards, the level of actual achievement of the specified performance goals relating to Performance Awards, and the amount of any final Performance Award shall be recorded in writing in the case of Performance Awards subject to Section 8.2. Specifically, the Committee shall certify in writing, prior to settlement of each such Performance Award, that the performance objective relating to the Performance Award and other material terms of the Award upon which settlement of the Award was conditioned have been satisfied.

ARTICLE IX

General Provisions

9.1 *Compliance With Laws and Obligations.* The Corporation shall not be obligated to issue or deliver Common Stock in connection with any Award or take any other action under the Plan in a transaction subject to any federal or state law, any requirement under any listing agreement between

the Corporation and any national securities exchange or automated quotation system, or any other law, regulation, or contractual obligation of the Corporation, until the Corporation is satisfied that such laws, regulations, and other obligations of the Corporation have been complied with in full. Certificates representing shares of Common Stock delivered under the Plan will be subject to such stop transfer orders and other restrictions as may be applicable under such laws, regulations, and other obligations of the Corporation, including any requirement that a legend or legends be placed thereon. The Corporation shall make best efforts to satisfy the compliance obligations relating to the Plan and Awards in order to avoid adverse effects on Participants under this Section 9.1.

9.2 Limitation of Participant Rights. Neither the Plan nor any action taken hereunder shall be construed as (i) giving any employee the right to be retained in the employ of the Corporation or any Affiliate or (ii) interfering in any way with the right of the Corporation or any Affiliate to terminate any employee's employment at any time. Except as expressly provided in the Plan and an Award Document, neither the Plan nor any Award Document shall confer on any person other than the Corporation and the Participant any rights or remedies hereunder or thereunder.

9.3 Tax Provisions.

(a) *Withholding.* The Corporation or any Affiliate is authorized to withhold from any Award granted or to be settled, any delivery of Common Stock in connection with an Award, any other payment relating to an Award, or any payroll or other payment to a Participant amounts of federal, state, and local withholding taxes and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Corporation and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include, but not be limited to, authority to withhold or receive Common Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations; the Committee may require such withholding or permit the Participant to elect withholding, provided that only the minimum amount of Common Stock deliverable in connection with an Award necessary to satisfy statutory withholding requirements will be withheld unless withholding of a greater amount of Common Stock would not result in additional accounting expense to the Corporation. Upon any withholding or surrender of shares of Common Stock, the shares shall be valued at their Fair Market Value at the date they are withheld or received by the Corporation, except that withheld shares may be valued based on same-day market transactions by the Participant or otherwise for convenience of administration of the Plan.

(b) *Required Notifications of Tax Events.* If any Participant shall make a disqualifying disposition of shares of Common Stock delivered pursuant to the exercise of an Incentive Stock Option (*i.e.*, a disposition described in Code Section 421(b)), such Participant shall notify the Corporation of such disposition within ten days thereof. In any case in which a Participant is permitted to make an election (and does make an election) under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) in connection with an Award, the Participant shall notify the Corporation of such election within ten days of filing notice of the election with the Internal Revenue Service, in addition to any filing and notification required under Section 83(b) and regulations thereunder. No Participant shall make a Section 83(b) election in connection with any Award unless explicitly authorized in the Award Document or otherwise approved by the Committee.

9.4 *Changes to the Plan and Awards.*

(a) *Plan Amendments.* The Committee may, with prospective or retroactive effect, amend, alter, suspend, discontinue, or terminate the Plan without the consent of stockholders or Participants, except that any amendment shall be subject to the approval of the Corporation's stockholders at or before the first annual meeting of stockholders for which the record date falls on or after the date of such Committee action if such amendment is required under Section 303A.08 of the Listed Company Manual of the New York Stock Exchange or is otherwise subject to a requirement of stockholder approval under any applicable law or regulation, the rules of any stock exchange or automated quotation system on which the Common Stock may then be listed or quoted, or the Corporation's Bylaws. In addition, the Committee may otherwise, in its discretion, determine to submit other such changes to the Plan to stockholders for approval. The foregoing notwithstanding, without the consent of an affected Participant, except to the extent required by Section 9.1 hereof, no such action may materially impair the rights of such Participant under any Award therefore granted. The foregoing notwithstanding, the Committee shall not amend this Section or Section 4.1, or adopt an amendment that would be subject to stockholder approval under this Section or otherwise would exceed the authority of the Committee under its charter and other corporate governance documents of the Corporation, without the consent of the Board.

(b) *Changes to the Terms of Outstanding Awards.* The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue, or terminate, any Award previously granted and any Award Document relating thereto; provided, however, that, except to the extent required by Section 9.1 hereof, no such action may materially impair the rights of a Participant under such Award without the consent of the affected Participant and provided further that for Awards that are intended to be settled in Common Stock per their written terms, cash settlement should be rare and only in response to circumstances that are unique, outside of the Participant's control, and perceived to result in a hardship to the Participant. Unless otherwise determined by the Committee, such cash settlements must receive prior approval of the Corporation's Chief Financial Officer. Modifications that are in substance cash settlements are subject to this same requirement. The foregoing notwithstanding, the Committee shall have no authority to waive or modify any Award term after the Award has been granted to the extent the waived or modified term would be inconsistent with Section 3.4 or Section 6.2 (or otherwise would not be within the discretion of the Committee if it were then granting a new Award).

9.5 *Unfunded Status of Awards other than Restricted Stock.* The Plan is intended to constitute a generally "unfunded" plan for incentive compensation, except with respect to Restricted Stock. With respect to any payments not yet made to a Participant pursuant to an Award other than Restricted Stock, nothing contained in the Plan or any such Award shall give any such Participant any rights that are greater than those of a general creditor of the Corporation. No person shall, prior to exercise or settlement of an Award other than Restricted Stock, acquire any right in or title to any assets, funds, or property of the Corporation whatsoever, including, without limitation, any specific funds, assets, or other property, which the Corporation, in its sole discretion, may set aside in anticipation of a liability under the Plan. Nothing contained in the Plan shall constitute a guarantee that the assets of the Corporation shall be sufficient to pay any benefits to any person.

9.6 *Nonexclusivity of the Plan.* Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Corporation for approval shall be construed as creating any limitations on the power of the Board or Committee to adopt such other compensatory arrangements as it may deem desirable, including, without limitation, the granting of equity or cash incentives otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

9.7 *Fractional Shares.* No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan or any Award, unless the Committee determines that it is administratively feasible and desirable to deliver fractional shares (such as through an intermediary that can credit accounts with fractional shares). In cases in which fractional shares are not delivered, the Committee shall determine whether cash, other Awards, or other property shall be issued or paid in lieu of such fractional shares, whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated, or other treatment accorded to such fractional shares.

9.8 *Awards Not Compensation Under Plans.* No Award shall be considered as compensation under any employee benefit plan of the Corporation or an Affiliate except as specifically provided in any such plan or otherwise determined by the Committee.

9.9 *Repayments to Participants in Connection with Forfeitures.* Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration (for example, a forfeiture of an Option share, if forfeiture conditions applied to shares after exercise), the Participant shall be repaid the amount of such cash consideration.

9.10 *Governing Law.* The validity, construction, and effect of the Plan, any rules and regulations under the Plan, and any Award Document will be determined in accordance with the Federal Home Loan Mortgage Corporation Act of 1970, other federal laws regulating the Corporation, and other laws of the United States. This Plan and the respective rights and obligations of the Corporation and the Participants, except to the extent otherwise provided by Federal law, shall be construed under the laws of the Commonwealth of Virginia (without giving effect to principles of conflicts of laws). The validity, enforceability and effectiveness of any electronic records or electronic signatures used in connection with any Award Document shall be governed by E-SIGN or the Virginia UETA, as applicable.

9.11 *Termination of Authority to Grant Awards Under the 1995 Plan.* Upon effectiveness of the Plan as provided in Section 9.12, the authority to grant new awards under the 1995 Plan shall terminate. In other respects, the 1995 Plan will remain in effect in accordance with its terms, except as provided in Section 4.2 hereof.

9.12 *Stockholder Approval, Termination of Authority to Grant Awards and Termination of the Plan.* The Plan shall become effective upon its approval by stockholders of the Corporation by an affirmative vote that meets the requirements of the Corporation's Bylaws and of the Listed Company Manual of the New York Stock Exchange as then in effect. No Award may be granted after the tenth anniversary of the latest date upon which stockholders of the Corporation have approved the Plan. The Plan will remain in effect thereafter until such time as the Corporation has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan, unless the Plan is earlier terminated by the Committee.

**FEDERAL HOME LOAN MORTGAGE CORPORATION
EMPLOYEE STOCK PURCHASE PLAN**

As Amended and Restated

Effective January 1, 2005

Employee Stock Purchase Plan

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**FEDERAL HOME LOAN MORTGAGE CORPORATION
EMPLOYEE STOCK PURCHASE PLAN
(Amended and Restated as of January 1, 2005)**

**ARTICLE I
Establishment of the Plan**

1.1 *Purpose.* This document constitutes a restatement of the employee stock purchase plan (the “Plan”) of the Federal Home Loan Mortgage Corporation (the “Corporation”) as originally adopted effective as of July 1, 1989, and as subsequently restated effective as of January 1, 1995. The purpose of the Plan is to allow employees to share in the growth of the Corporation through ownership of shares of the Corporation’s voting Common Stock, par value \$0.21 per share (the “Common Stock”). It is the intention of the Corporation that the Plan qualify as an “employee stock purchase plan” within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended (the “Code”). The Plan shall be interpreted in a manner consistent with that section of the Code.

1.2 *Effective Date.* The Plan as restated herein shall be effective as of January 1, 2005 and shall apply to Offerings on and after such date; provided, however, that the terms of participation in any Offering that commenced before January 1, 2005 but which ends on or after that date will be governed by the Plan provisions as in effect at the commencement of such Offering, except that shares delivered in such Offering shall count against the limit set forth in Section 8.1 and the Plan shall remain continuously in effect through such Offering Period in accordance with Section 10.3.

1.3 *Name.* The name of the Plan is the Federal Home Loan Mortgage Corporation Employee Stock Purchase Plan.

**ARTICLE II
Definitions**

2.1 *Board.* The Corporation’s Board of Directors.

2.2 *Compensation.* The non-deferred cash remuneration paid by the Corporation to an Employee, including salary, overtime pay, shift differentials, vacation pay, bonuses and commissions plus the amount of any elective deferrals under the Corporation’s Thrift/401(k) Savings Plan, the amount of any salary reduction amounts under the Corporation’s cafeteria plan, and amounts attributable to qualified transportation fringes that are excluded from gross income under Section 132(f)(4) of the Code; provided, however, that the Committee or Plan Administrator may include or exclude specific types of remuneration from Compensation for administrative convenience or otherwise to further the purposes of the Plan, subject to Section 10.8.

2.3 *Committee.* The Compensation and Human Resources Committee of the Board of Directors of the Corporation, or such other Board committee as may be designated by the Board to administer the Plan; provided, however, that the Committee shall at all times consist of two or more directors, each of whom is not an employee of the Corporation or any Affiliate. The full Board may perform any function of the Committee hereunder, in which case the term “Committee” shall refer to the Board.

Employee Stock Purchase Plan

2.4. *Custodian.* UBS Financial Services, Inc., Smith Barney Inc. or other custodian as may be appointed by the Plan Administrator.

2.5 *Eligible Employee.* An Employee who has met the eligibility requirements under Article III, except as may be limited under Sections 7.2 and 7.3.

2.6 *Employee.* Any person employed by the Corporation on a full- or part-time regular basis as defined in Freddie Mac Corporate Policy No. 3-221, except that any person whose customary employment is either less than 20 hours per week or less than 5 months in any calendar year shall not be deemed an Employee. For this purpose, a person on approved paid or approved unpaid leave for 90 days or less or who has a statutory or contractual right of continued employment upon the expiration of a leave of greater than 90 days shall be deemed to be an Employee.

2.7 *Fair Market Value.* As of any given date, the average of the high and the low sale prices of a share of Common Stock reported for composite transactions in New York Stock Exchange listed securities in print or electronically by The Wall Street Journal or by another recognized provider designated by the Committee, or, if no such prices are reported for such date, on the most recent trading day prior to such date for which such prices were reported; provided, however, that the Committee may in good faith, establish alternative methods or procedures for determining Fair Market Value.

2.8 *Holding Period.* The period of time, if any, following the Purchase Date during which Common Stock may not be sold, certificated, pledged, or otherwise transferred from the Participant Share Account. A Holding Period may be established by the Committee, in its discretion, with respect to any Offering, and may apply to all or a designated portion of the shares of Common Stock purchased by each Participant in the Offering, subject to Section 10.8.

2.9 *Interest.* Interest may be credited on payroll deductions accumulated in each Participant Account and on any Interest previously credited thereon periodically (or on the dates otherwise specified in Sections 6.2, 7.1 and 7.2) and on the Purchase Date, if so determined by the Committee. Interest shall not be credited on any lump sum payments tendered pursuant to Section 5.4, unless otherwise determined by the Committee. The rate of such Interest, if any, and the periodic crediting dates shall be set by the Committee pursuant to Section 4.1.

2.10 *Offering.* The opportunity extended to Eligible Employees to purchase Common Stock at the end of a specified Offering Period through participation in the Plan.

2.11 *Offering Period.* The period of time established by the Committee from time to time for an Offering, extending from the Option Grant Date for a specified period; provided, however, that under no circumstances shall any Offering Period exceed 27 months or such other period as may be required under Code section 423(b)(7).

2.12 *Option.* The conditional right of an Eligible Employee to purchase a specified dollar amount of shares or specified number of shares of Common Stock under the Plan in a specified Offering.

2.13 *Option Grant Date.* The first day of the Offering Period on which the New York Stock Exchange is open, which shall be deemed to be the day on which an Option is granted to a Participant.

2.14 *Participant.* An Eligible Employee who has been granted an Option in a given Offering and has taken any other required steps to participate in, and not withdrawn from, such Offering.

2.15 *Participant Account.* An account established and maintained by the Corporation in the name of each Participant, to hold the Participant's payroll deductions and any Interest accumulated thereon, together with lump sum payments tendered in accordance with Section 5.4.

2.16 *Participant Share Account.* An account established and maintained by the Custodian in which the shares of Common Stock purchased pursuant to this Plan and shares purchased by the reinvestment of dividends on such shares are held. This account may hold other shares of Common Stock acquired through the Corporation's compensation programs or may be a subaccount under another account established in connection with the Corporation's compensation programs, to the extent permitted by the Custodian and agreed to by the Plan Administrator in writing.

2.17 *Plan Administrator.* The Senior Vice President, Human Resources, or other person or committee as designated by the Committee.

2.18 *Purchase Date.* The last day of an Offering Period on which the New York Stock Exchange is open.

2.19 *Purchase Price.* The exercise price of each Option established by the Committee with respect to a particular Offering; provided, however, that such price shall not be less than the lesser of: (i) eighty-five percent (85%) of the Fair Market Value of the Common Stock on the Option Grant Date or (ii) eighty-five percent (85%) of the Fair Market Value of the Common Stock on the Purchase Date. Subject to the foregoing, the Committee may establish the Purchase Price with reference to the Fair Market Value of Common Stock (or a specified percentage thereof) on one or more specified dates during the Offering Period, but it need not be established with reference to Fair Market Value on both the Grant Date and the Purchase Date.

ARTICLE III Eligibility

3.1 *Generally.* Provided that the Employee shall have timely enrolled in the manner specified by the Committee by the applicable deadline(s), an Employee shall be eligible to participate in the Plan for a given Offering if he or she (i) is an Employee on the Option Grant Date, and (ii) continuously meets any other eligibility requirements under the Plan or specified by the Plan Administrator through the Purchase Date for that Offering.

3.2 *Limitations.* Other provisions of the Plan notwithstanding, no Employee may be granted an Option if and to the extent that (i), immediately after the Option is granted, such Employee would own stock representing five percent (5%) or more of the total combined value or voting power of all classes of the stock of the Corporation, determined in accordance with Code Sections 423(b)(3) and 424(d); or (ii) such Option would permit the Employee's rights to purchase stock under all of the Corporation's plans subject to Code Section 423 to accrue at a rate which exceeds the fair market value dollar limit of such stock (currently \$25,000) for the calendar year determined in accordance with Code Section 423(b)(8).

ARTICLE IV Offering

4.1 *Committee Discretion.* The Committee shall establish the terms and conditions of each Offering in accordance with the applicable terms of the Plan, including:

- (a) the Offering Period(s);
- (b) the maximum Fair Market Value or other dollar limit on shares, or the maximum number of shares, that may be subject to the Option granted to each Participant; provided, however, that such maximum limit shall be established so as not to exceed the limit under Section 3.2;
- (c) the formula for determination of the Purchase Price;
- (d) the forms of payment that will be made available to pay for Common Stock purchased upon exercise of the Option;
- (e) the Holding Period, if any;
- (f) the rate of Interest and times at which Interest will be credited, if any; and
- (g) whether to permit excess payments under Section 6.2 to be carried forward to a subsequent Offering Period.

Any determination under the Plan within the discretion of the Plan Administrator may instead be made by the Committee. Unless otherwise specified by the Committee, the Plan Administrator shall retain discretion to thereafter change such determination.

4.2 *Changing the Terms and Conditions.* Once the terms and conditions in Section 4.1 are established by the Committee with respect to a particular Offering, they shall remain in effect with respect to subsequent Offerings unless expressly changed by the Committee.

ARTICLE V Participation

5.1 *Generally.* An Eligible Employee may elect to participate in an Offering by completing any enrollment procedures required by the Committee or the Plan Administrator by the applicable deadline(s). Such election shall be in such manner or form, and subject to such rules and limitations, as may be specified by the Committee or the Plan Administrator. The Plan Administrator may require any or all of such elections to be made by a specified date or dates before the Offering Period, or may permit such elections to be made by a specified date or dates prior to and including the Purchase Date.

5.2 *Grant of Option to Eligible Employees.* Upon the Option Grant Date, each Eligible Employee shall be granted an Option to purchase a specified dollar amount or number of shares not exceeding the maximum limit on shares permitted to be purchased under Section 4.1(b). The grant of the Option may be made subject to requirements imposed by the Plan Administrator or the Committee that the Eligible Employee elect to participate in the Offering, and may be conditioned upon such election.

5.3 *Payroll Deductions.* To the extent that the Committee has authorized payroll deductions with respect to the Offering, then:

(a) *Effective Date.* An electing Participant's payroll deductions shall become effective as soon as administratively feasible during the Offering Period.

(b) *Adoption of Administrative Rules.* The Committee or Plan Administrator may adopt rules that require a Participant to accumulate in his or her Participant Account, through any combination of payroll deductions and/or lump sum payments under Section 5.4, an amount sufficient to pay the Purchase Price of the full Option or a specified portion thereof by the Purchase Date. Such rules will specify whether any failure to accumulate such amount (i) may be deemed an election to withdraw from the Offering, in which case the balance in the Participant Account shall be refunded as provided by Section 7.1, (ii) shall be deemed an election to exercise the Option to the extent of such balance as provided by Section 6.1, or (iii) shall have other specified consequences. The rules will also describe whether, and to what extent, Participants will be allowed to adjust their payroll deductions during the Offering Period, and the process for cessation of contributions described in Section 5.3(c).

(c) *Cessation and Resumption of Payroll Deductions.* A Participant may instruct the Corporation to cease payroll deductions, which shall be effective on the first payroll date occurring at least fifteen (15) days (or such other period as specified by the Plan Administrator) after the Corporation receives notice (consistent with the administrative rules described in Section 5.3(b)) to cease deductions. Notice shall be provided by the Participant in a manner consistent with the procedures specified by the Plan Administrator. A Participant who has ceased payroll deductions may elect to: (i) withdraw from the Offering in accordance with Section 7.1; or (ii) have his or her Participant Account maintained through the Purchase Date (or such earlier date as the Plan Administrator may specify), at which time the amounts in the Participant Account will, to the extent permitted under the administrative rules described in Section 5.3(b), be used to pay the Purchase Price upon exercise of the Option (in full or in part). If the Participant has not withdrawn from the Offering, the Plan Administrator may determine to permit such a Participant to resume payroll deductions, subject to Section 10.8.

(d) *Participant Deduction Authorization.* The election for payroll deductions shall authorize deductions by the Corporation from Compensation.

(e) *Interest.* Interest, if any, credited to a Participant Account may not be applied to pay the Purchase Price, but may be withdrawn from the Account in accordance with such rules as the Plan Administrator may specify.

5.4 *Lump Sum Payments.* To the extent that the Committee authorizes lump sum payments, a Participant who elects to pay the Purchase Price (or any portion thereof) by lump sum may tender such payment to the Corporation in a manner and at such time as may be specified by the Plan Administrator, provided that such time is not later than the Purchase Date.

ARTICLE VI Purchase of Stock

6.1 *Participant Account; Exercise of Option on Purchase Date.* Any amounts withheld as payroll deductions from a Participant's Compensation during an Offering Period shall be reflected in a

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Participant Account, to which balance shall be added any lump sum payment amounts tendered by the Participant under Section 5.4 (to the extent permitted by the terms of a particular Offering). Except as may be limited under rules adopted by the Plan Administrator, if a Participant has not withdrawn from participation in an Offering on the Purchase Date, the Participant's Option shall be exercised automatically by applying all amounts accumulated in the Participant Account (other than Interest, if paid) to the purchase of Common Stock at the Purchase Price, subject to applicable limitations under Section 4.1(b). The Corporation or its designee shall allocate such shares purchased to the Participant Share Accounts. The foregoing notwithstanding, the Committee may provide for the automatic cancellation of an Offering based on specified circumstances arising at or before the Purchase Date, including the case in which the Purchase Price would equal or exceed the Fair Market Value of Common Stock at the Purchase Date.

6.2 *Excess Payments.* Except as described herein, in the event that the sum of a Participant's accumulated payroll deductions and any lump sum payment tendered under Section 5.4 exceeds the amount applied to the purchase of Common Stock on the Purchase Date under Section 6.1, the excess over the aggregate Purchase Price of Common Stock shall be refunded to the Participant within sixty (60) days of the Purchase Date. Such refund shall be entitled to Interest through the Purchase Date, if and to the extent authorized by the Committee, in accordance with the rules then in effect under the Plan. The Committee may, in establishing the terms of an Offering as described in Section 4.1, provide that such excess amounts accumulated in the Participant Accounts will be applied for the purchase of shares in a subsequent Offering Period.

6.3 *Limitation.* If on any Purchase Date the total number of shares to be purchased would cause the aggregate number of shares delivered under the Plan to exceed the total number of shares available for delivery under Section 8.1 of the Plan, then the number of shares to be purchased on such Purchase Date by any Participant shall be reduced pro-rata based on the number of shares for which the Participant's Option would have been exercised, so that the number of shares purchased by all Participants equals the number of remaining available shares.

ARTICLE VII

Withdrawal, Employment Termination and Leave of Absence

7.1 *Withdrawal.* A Participant, by giving notice to the Corporation by such deadline and in such form as the Plan Administrator may establish, may withdraw from the Plan with respect to a specified Offering. In the event a Participant so withdraws: (i) payroll deductions, if any, previously authorized by such Participant shall cease, (ii) no shares shall be purchased for him or her on the Purchase Date for such Offering, and (iii) all amounts accumulated in his or her Participant Account, whether through payroll deduction, lump sum payment (if available) or crediting of Interest (if any, pursuant to Section 2.9), shall be refunded to him or her within sixty (60) days after the Purchase Date for the specified Offering. In such case, if the crediting of any Interest has been authorized by the Committee in accordance with Section 2.9, such crediting will apply only through the Purchase Date and not with respect to any period thereafter. A Participant who has instructed the Corporation to cease payroll deductions and who, pursuant to Section 5.3(c), receives a refund of the balance of his or her Participant Account shall be deemed to have withdrawn from the Plan for that Offering. A Participant's withdrawal will not have any effect upon his or her eligibility to participate during any subsequent Offering.

7.2 Employment Termination. In the event that a Participant's employment terminates for any reason (including disability, retirement or death), no further payroll deduction shall be made from any Compensation due and owing to the Participant at such time and the Participant shall not be required or permitted to make a lump sum payment thereafter under the Plan. The Corporation shall refund the balance in the Participant Account with Interest, if any (pursuant to Section 2.9), credited through no later than the termination date, to the Participant, or, if the Participant is deceased, in accordance with Section 10.1, within sixty (60) days after the termination date. In such case, the Participant's Option shall terminate at the time of termination of employment, and no shares may be purchased for a Participant thereafter for any reason.

7.3 Leave of Absence. The Plan Administrator may adopt rules governing Participants who take a leave of absence in excess of 90 days (without a statutory or contractual right to return) or who have other changes in employment status not otherwise covered by this Section 7.3, which rules may specify that such Participants' participation may be limited or terminated (subject to the explicit terms of the Plan and the requirements of Code Section 423).

ARTICLE VIII

Stock

8.1 Generally. The shares of Common Stock of the Corporation to be delivered under the Plan upon purchase by Participants may consist, in whole or in part, of authorized but unissued shares, treasury shares, or shares acquired in market transactions on behalf of the Participants. The maximum number of shares that may be delivered upon purchase by Participants under the Plan shall be 3,600,000 plus the balance of any shares authorized for use under this Plan prior to its restatement effective January 1, 2005, subject to adjustment upon changes in capitalization of the Corporation as provided in Section 10.2. Any shares purchased by Participants pursuant to dividend reinvestment under Section 8.5 shall not be counted against the shares reserved for delivery under this Section 8.1.

8.2 Stockholder Rights. Subject to Section 8.3, upon purchase of shares on each Purchase Date, a Participant shall acquire all the rights and privileges of a stockholder in the Corporation with respect to shares delivered to him or her under the Plan on such Purchase Date, including the right to direct the vote of the shares on any matter for which the record date for voting is on or after such Purchase Date and the right to receive any dividend for which the record date is on or after such Purchase Date, for so long as such shares are credited to the Participant Share Account. These rights shall be subject to the customary terms and conditions applicable to shares held for customers in a brokerage account, except as otherwise provided by the Plan Administrator.

8.3 Transfer and Forfeiture. No Participant may sell, certificate, pledge or otherwise transfer the shares delivered to him or her under the Plan after the Effective Date until after the expiration of the applicable Holding Period, if any, except as permitted under Offering terms or rules adopted by the Committee. Shares purchased under the Plan are non-forfeitable.

8.4 Removing Shares From the Participant Share Account. After the expiration of the Holding Period, if any, applicable to shares, a Participant may remove shares from his or her Participant Share Account by (i) directing the sale of such shares; (ii) directing the issuance and delivery of a share certificate evidencing such shares; or (iii) if the Plan Administrator so permits, transferring such shares to another brokerage account, in each case subject to such rules as the Plan Administrator may establish (which may limit the availability of any of these alternatives so long as

some means for removal of shares is provided). In addition, a Participant's ability to remove shares from the Participant Share Account and subsequent transactions in such shares may be restricted by the Plan Administrator for administrative reasons, may be conditioned upon the Participant's agreement to promptly disclose his or her subsequent sales or dispositions of the shares and the terms thereof, and shall be subject to the Corporation's securities compliance and insider trading rules and its code of conduct. Shares that are sold, shares for which certificates are issued or delivered (other than to the Custodian or its nominee) or shares that are transferred to another brokerage account will no longer be deemed held for a Participant's Share Account.

8.5 *Dividends.* With regard to dividends declared and paid on shares held in a Participant Share Account at the record date for such dividends, a Participant may elect to: (i) receive such dividends in cash; or (ii) have such dividends reinvested in additional shares of Common Stock. Such dividend reinvestment purchases may be from the Corporation or in the open market on such terms and conditions as may be approved by the Plan Administrator, but in no event will any discount in the purchase price of shares provided under the Plan for regular Plan purchases apply to the dividend reinvestment purchases. Shares of Common Stock purchased through reinvestment of dividends shall not be regarded as purchased pursuant to the terms of this Plan.

ARTICLE IX Administration

9.1 *Generally.* Subject to Section 4.1, the Plan shall be administered by the Plan Administrator and persons to whom the Plan Administrator may delegate authority. The Plan Administrator shall be vested with full authority to make, administer, and interpret such rules and regulations as deemed necessary to administer the Plan, and any determination, decision, or action of the Plan Administrator or persons to whom authority has been delegated in connection with the construction, interpretation, administration or application of the Plan shall be final, conclusive and binding upon all Participants. The Plan Administrator shall have the authority to employ agents to perform such of the administrative duties hereunder as may be delegated to such agents, and to authorize the payment of reasonable compensation for the performance of services by such agents. All actions by the Plan Administrator shall be deemed actions by or on behalf of the Corporation.

9.2 *Sale of Shares.* The Plan Administrator shall establish a procedure pursuant to which a Participant may arrange, after expiration of any applicable Holding Period, for the sale of shares credited to his or her Participant Share Account. Neither the Plan Administrator nor the Corporation shall have responsibility for, or incur liability as a result of, any transaction described in Section 8.4.

9.3 *Expenses.* Expenses associated with the purchase of shares pursuant to Article VI of the Plan and administration of the Plan shall be borne by the Corporation. Expenses incurred in connection with Participant's sale of shares shall be borne by the Participant. Reasonable fees may be charged to Participants for other transactions and services under the Plan, in the discretion of the Plan Administrator.

9.4 *Custodian.* The Plan Administrator may appoint a Custodian that shall perform such duties as may be set forth in the Plan or in any agreement between the Corporation and the Custodian.

ARTICLE X
Miscellaneous

10.1 *Transferability.* No right or interest of a Participant under the Plan may be pledged, encumbered, or hypothecated to or in favor of any party, made subject to any lien, obligation, or liability of such Participant, or otherwise assigned, transferred, or disposed of except by will or the laws of descent and distribution (subject to the limitations set forth in Section 7.2), and any right of a Participant under the Plan will be exercisable during the Participant's lifetime only by the Participant. The foregoing notwithstanding, the Plan Administrator may, in its discretion, approve alternative forms of registration of a Participant Share Account to the extent permitted by applicable regulations under Section 423 of the Code.

10.2 *Change in Capitalization.* The number and kind of shares of stock available for issuance or delivery under the Plan, and the calculated Purchase Price for any ongoing Offering, will be proportionately adjusted, as determined by the Committee, in the event of any large, special and non-recurring dividend or other distribution (whether in the form of cash or other property), recapitalization, forward or reverse split, dividend of Common Stock, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, rights offering or other similar corporate transaction or event affecting the Common Stock. Alternatively, the Committee may terminate any ongoing Offering or accelerate the end of the Offering Period prior to such extraordinary event in order that the interests of Participants will not be impaired as a result of such an event.

10.3 *Amendment or Termination.* The Committee may amend, alter, suspend, discontinue, or terminate the Plan without the consent of stockholders or Participants, except that any such action will be subject to the approval of the Corporation's stockholders within twelve months after such Committee action if such stockholder approval is required by any applicable federal or state law or regulation or the rules of any automated quotation system or stock exchange on which the Common Stock may then be quoted or listed, and the Committee may otherwise, in its discretion, determine to submit other such actions to stockholders for approval; provided, however, that (i) any amendment or other action under this Section 10.3 by the Committee pursuant to delegated authority, to increase the shares available under the Plan (other than in connection with an adjustment under Section 10.2), reduce the minimum Purchase Price permitted under the Plan, or increase the maximum amount of Participant contributions under Section 3.2 to an amount in excess of the level then permitted under Code Section 423, or which otherwise exceeds the authority of the Committee under the Committee's charter and applicable resolutions of the Board, shall require the approval of the Board as well; and (ii), without the consent of an affected Participant, no amendment, alteration, suspension, discontinuation, or termination of the Plan may materially and adversely affect the rights of such Participant with respect to any Offering that has been completed prior to such Committee action. The foregoing notwithstanding, (a) upon termination of the Plan, the Committee may elect to terminate all outstanding Options at such time as the Committee may designate; (b) in the event of such termination of any Option prior to its exercise, all amounts contributed to the Plan which remain in a Participant's Account will be returned to the Participant as promptly as practicable; and (c) the Plan shall automatically terminate upon the earlier of: (i) the date on which the total number of shares authorized for purchase under the Plan have been purchased and any Plan requirements extending thereafter (e.g., any Holding Period) have been met; or (ii) January 1, 2015.

10.4 *No Right to Continued Employment.* Neither the Plan nor any action taken hereunder, including the grant of an Option, will be construed as giving any employee the right to be retained in the employ of the Corporation, nor will it interfere in any way with the right of the Corporation to terminate any employee's employment at any time.

10.5 *Taxes.* The Corporation is authorized to withhold from any payment to be made to a Participant, including any payroll and other payments not related to the Plan, amounts of withholding and other taxes due in connection with any transaction under the Plan, and a Participant's enrollment in the Plan will be deemed to constitute his or her consent to such withholding. In addition, Participants may be required to advise the Corporation of sales and other dispositions of Common Stock acquired under the Plan in order to permit the Corporation to comply with tax laws and to claim any tax deductions to which the Corporation may be entitled with respect to the Plan.

10.6 *Nonexclusivity of the Plan.* Neither the adoption of the Plan by the Committee nor its submission to the stockholders of the Corporation for approval will be construed as creating any limitations on the power of the Committee to adopt such other compensatory arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

10.7 *Stockholder Approval.* The Plan (as amended and restated) shall become effective on the Effective Date; provided, however, that the Plan has been approved by the stockholders of the Corporation in a manner sufficient to meet the requirements of Section 423(b)(2) of the Code.

10.8 *Equal Rights and Privileges.* All Participants shall have the same rights, responsibilities and privileges with respect to Options granted and Common Stock purchased under the Plan, (i) except as limited under Section 3.2, (ii) except that the amount of Common Stock which may be purchased by any Employee under such Option may bear a uniform relationship to the Compensation of such Employee, and (iii) except as otherwise may be permitted under Section 423 of the Code.

10.9 *Controlling Law.* This Plan and the respective rights and obligations of the Corporation and the Participants, except to the extent otherwise provided by applicable federal law, shall be construed under the laws of the Commonwealth of Virginia, exclusive of Virginia's conflict of laws provisions.