

1 A. I've read the email. What's your question
2 again?

3 Q. My first question is this Tim, is that
4 you, that it says after --

5 A. I don't know the answer, but I assume so
6 because I'm on the email.

7 Q. And it says "prioritizing four or five key
8 asks to FHFA is spot on (including time frames)."

9 Did this have to do at all with adoption
10 of the net worth sweep?

11 A. I don't think so. I think this was in
12 regard to -- well, first off, just as I said earlier,
13 the -- and I want to make sure I correct myself on
14 this, that in regard to the variable dividend, no.
15 Secondly, my belief is -- or the change from the
16 fixed dividend to the variable dividend, no.

17 I think what this is referring to is there
18 was a desire to improve the covenant package from
19 Treasury's perspective that existed in the PSPAs in
20 order to reduce risk to the taxpayer against future
21 large, meaningful draws of taxpayer support. So what
22 we were trying to think through is are there

1 covenants that could be either improved or enhanced
2 within the context of the PSPAs that could help put
3 the taxpayer in a more remote position relative to
4 its exposures to Fannie Mae and Freddie Mac within
5 the context of the PSPA agreements.

6 Q. You mentioned before that moving to the
7 variable dividend was also meant to protect the
8 taxpayer's position, is that correct?

9 A. Yes.

10 Q. Did Treasury engage in any contingency
11 planning for the possibility that FHFA would refuse
12 to adopt the net worth sweep?

13 A. What do you mean by contingency planning?

14 Q. Did Treasury have a backup plan in case
15 FHFA said, no, we're not going to do the net worth
16 sweep?

17 A. We had not developed a backup plan in --
18 we had not done work on a backup plan while we were
19 negotiating changes to the PSPAs with FHFA. I'm
20 sorry, let me be clear. I was not a part of any work
21 process associated with a backup plan in the event
22 that FHFA did not negotiate with us or come to an

1 agreement with us on changes to the preferred stock
2 purchase agreements.

3 (Bowler Exhibit No. 12 was
4 marked for identification.)

5 BY MR. PATTERSON:

6 Q. This is a memo from Deloitte, Fannie's
7 auditor, March 23rd, 2012 is the date and it's a long
8 document. I'm not going to ask questions about most
9 of it but I would like you to turn to page 14 if you
10 could.

11 A. Do you mind if I just take a look, just a
12 quick look at the first page?

13 Q. You can look at the first page, yes.

14 A. Okay. I've looked at the first page.

15 Q. And now if you can turn to 14, which in
16 the bottom right it says DT-056071.

17 A. You said up in the upper right-hand
18 corner, 14 of 43?

19 Q. 14 of 43.

20 A. And where do I want to look?

21 Q. There is a heading number 1 that says
22 Economic and Political Environment, under that "Risk"