

1 is a document on Freddie Mac letterhead called
2 Accounting Policy Group, Accounting Policy Statement
3 No. 10004, Accounting For Equity Transactions - Common
4 and Preferred Stock, Issuance Date: May 29, 2011,
5 Bates stamp PWC-FM00024198.

6 The accounting policy group, was that under
7 your supervision?

8 A. Yes, it was, and the head of accounting
9 policy reporting to Rob Mailloux, his name was Tim
10 Kviz.

11 Q. And what were accounting policy statements?

12 A. Basically our interpretation of generally
13 accepted accounting principles as it applies to the
14 business of Freddie Mac.

15 Q. So it would be something that was intended to
16 be relied on going forward by the accounting people?

17 A. Yes.

18 Q. To what extent -- well, let me ask you this.

19 Did FHFA review the accounting policy
20 statements? Do you know?

21 A. I don't have specific recall of discussing
22 their review, though as part of their examination
23 process to examine the -- the appropriateness of the
24 accounting of the company, they would have to
25 understand the accounting policy statements.

1 Q. Okay. I'm just going to have a couple of
2 questions about this document.

3 A. Mm-hm.

4 Q. On page 10 of 13, which is Bates stamped
5 24207, there's a question B5, which is, "How should
6 dividends paid on the Senior Preferred Stock issued to
7 the Treasury be accounted for?"

8 And the answer is, "At each dividend payment
9 date, Freddie Mac has the option of paying either a
10 10-percent cash dividend or a 12-percent dividend
11 in-kind."

12 Was that your understanding of the dividend
13 obligation?

14 A. That is my understanding of options made
15 available to us as part of PSPA.

16 Q. And earlier on that page, there's a question
17 B3, "What does the issuance of the Senior Preferred
18 Stock and the warrants to the Treasury represent?"

19 And the answer is, "The issuance of the
20 Senior Preferred Stock and the warrants to the Treasury
21 represents the compensation Freddie Mac exchanged with
22 the Treasury for its commitment to provide funding to
23 Freddie Mac."

24 Is that your understanding as well as to what
25 the issuance of the senior preferred stock and the

1 warrants to the Treasury represented?

2 A. That's consistent, yes.

3 Q. Okay. At any point during 2011 or 2012, as I
4 defined it earlier, did Freddie have any discussions
5 with FHFA about paying the dividends to Treasury
6 in-kind?

7 A. Not that I recall.

8 Q. Was that something that was discussed
9 internally?

10 A. Not that I recall in my time there.

11 Q. Okay. Did you learn during your time there
12 that it had been discussed earlier?

13 A. I don't recall having that conversation. By
14 the time I got there, the cash dividend practice was an
15 accepted practice, and we saw no -- nothing in our
16 financial projections that made us look at changing
17 that.

18 Q. Okay. But do you recall -- but I take it --
19 strike that. I'm sorry.

20 Am I correct that you testified a moment ago
21 that you don't recall there being any discussions about
22 changing that practice, correct?

23 A. In my time there, that's right.

24 Q. Okay. Just so the record's clear, you talked
25 about not having any recollection of discussions with

1 FHFA about paying dividends in-kind. Were there any
2 discussions with Treasury about paying dividends
3 in-kind?

4 A. None that I recall.

5 Q. Okay. And who was the ultimate decision
6 maker on whether dividends would be paid in cash or
7 in-kind?

8 A. I think, had we evaluated a change, to make
9 that change would have been a decision that would have
10 gone to the chairman of the board and the CEO, but we
11 did not make that change.

12 Q. All right. You said "had we" made an
13 evaluation?

14 A. Yeah, excuse me.

15 Q. But you did not make that evaluation?

16 A. No.

17 Q. And you had no discussions about it?

18 A. Right.

19 Q. Okay. And under conservatorship, would it
20 have been the board of directors or the FHFA who would
21 have had the decision-making authority?

22 MS. RODRIGUEZ: Just objection to form.
23 It's speculative and hypothetical.

24 A. Yeah, that --

25 MS. HOSFORD: Also calls for a legal