

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION
Civil Action No: 1:16-cv-21221-Scola**

MASTER SGT. ANTHONY R. EDWARDS,
USAF, RETIRED, *et al.*

Plaintiffs,

v.

DELOITTE & TOUCHE LLP,

Defendant.

**DEFENDANT'S MOTION TO STAY PENDING ACTION BY THE
JUDICIAL PANEL ON MULTIDISTRICT LITIGATION**

INTRODUCTION

Defendant Deloitte & Touche LLP (“Deloitte” or “Defendant”) respectfully moves this Court to issue a temporary stay in this case to promote judicial efficiency and avoid duplicative litigation. The stay would be of limited duration and for a specific purpose: to give the Judicial Panel on Multidistrict Litigation (the “Panel”) time to rule on whether this case and seven related cases should be transferred to a single federal court for consolidated pretrial proceedings (an “MDL”). MDL treatment has been requested in a motion filed by the Federal Housing Finance Agency (“FHFA”), and this case is now encompassed within that MDL request. Ex. A, *In re Fed. Hous. Fin. Agency, et al., Preferred Stock Purchase Agreements Third Amendment Litig.*, MDL No. 2713, Mar. 15, 2016, ECF Doc. No. 1 (the “MDL”); Ex. B, Notice of Related Action, *In re Fed. Hous. Fin. Agency et al., Preferred Stock Purchase Agreements Third Amendment Litig.*, MDL No. 2713, Apr. 7, 2016, ECF Doc. No. 22.¹

Transfer to an MDL is sought because these cases all arise out of the same events and materially identical allegations and issues, including issues of great importance regarding the federal government’s response to the national financial crisis. *Id.* In addition to promoting judicial economy and avoiding duplication and inconsistent holdings, the requested stay will impose no undue prejudice on Plaintiffs, who have yet to serve Deloitte with their Complaint. For these reasons, federal courts have already stayed four of the actions encompassed in FHFA’s transfer motion. Accordingly, Defendant seeks a temporary stay of this case until the Panel rules on the pending request to establish an MDL and transfer this case to it.

¹ “Ex.” refers to the exhibits attached to the Declaration of Kevin M. McDonough, dated April 11, 2016, and filed herewith.

BACKGROUND

A. Fannie Mae And The Housing And Economic Recovery Act Of 2008

This case arises out of actions taken by the U.S. Department of Treasury (“U.S. Treasury”) and FHFA (collectively, the “federal agencies”), pursuant to the Housing and Economic Recovery Act of 2008, Pub. L. No. 110-289, 122 Stat. 2654 (“HERA”), to rescue the Federal National Mortgage Association (“Fannie Mae”), a federally-chartered, government sponsored enterprise (“GSE”) during the historic 2008 near-collapse of the U.S. economy. *See generally* Complaint (“Compl.”), ECF Doc. No. 1-1. This case accuses Deloitte of aiding and abetting allegedly improper actions by the federal agencies and Fannie Mae’s directors.

The United States Congress enacted HERA on July 30, 2008 in response to massive declines in the U.S. housing market and a rapidly deteriorating U.S. economy. *See* Compl. ¶ 20. In HERA, Congress established FHFA as an independent agency to supervise and regulate Fannie Mae (and other GSEs). *See* 12 U.S.C. § 4511; Compl. ¶ 20. HERA granted FHFA’s Director the authority to appoint the agency as conservator or receiver for Fannie Mae, 12 U.S.C. § 4617(a), and HERA amended Fannie Mae’s charter to authorize U.S. Treasury to purchase, with taxpayer funds, “any obligations and other securities issued by” Fannie Mae, 12 U.S.C. § 1719(g)(1)(A); *see* Compl. ¶ 20.

B. FHFA Is Appointed As Conservator Of Fannie Mae

On September 6, 2008, FHFA’s Director appointed FHFA as Fannie Mae’s conservator “for the purpose of reorganizing, rehabilitating, or winding up [its] affairs.” 12 U.S.C. § 4617(a)(2); Compl. ¶ 21. Upon appointment, FHFA “immediately succeed[ed]” to “all rights, titles, powers, and privileges of [Fannie Mae], and of any stockholder, officer, or director of [Fannie Mae] with respect to [Fannie Mae] and the assets of [Fannie Mae].” 12 U.S.C. § 4617(b)(2)(A)(i). As conservator, FHFA is vested with broad statutory powers to “operate”

Fannie Mae, “carry on [its] business,” enter into contracts on its behalf, “transfer or sell any [Fannie Mae] asset . . . without any approval,” take actions to put Fannie Mae in a “sound and solvent condition,” and “preserve and conserve” its assets. *Id.* § 4617(b)(2). Further, HERA provides that “no court may take any action to restrain or affect the exercise of powers or functions” of FHFA as conservator of Fannie Mae. *Id.* § 4617(f).

Pursuant to its statutory powers under HERA, FHFA (acting as conservator of Fannie Mae) entered into a Senior Preferred Stock Purchase Agreement (“PSPA”) with U.S. Treasury. Compl. ¶ 22. Under the PSPA, which was amended over time, U.S. Treasury committed an initial \$100 billion in taxpayer funding to support Fannie Mae. *Id.* ¶¶ 22, 26. In exchange, U.S. Treasury received senior preferred stock and certain contractual rights, including the right to receive quarterly dividends from Fannie Mae. *Id.* In 2012, U.S. Treasury and FHFA agreed to an amendment to the PSPA (the “Third Amendment”), which required Fannie Mae to pay Treasury a quarterly dividend equal to the amount of its net worth each quarter, less a capital buffer that declines over time until the buffer is eliminated in 2018 (the so-called “Net Worth Sweep”). *Id.* ¶ 31.²

C. The MDL Panel Proceedings

Shareholders of Fannie Mae and Freddie Mac have filed numerous related actions against U.S. Treasury, FHFA, Fannie Mae, Freddie Mac, and their respective directors, alleging that the

² The same basic events described here took place with respect to the Federal Home Loan Mortgage Corporation (“Freddie Mac”). Freddie Mac is another GSE that U.S. Treasury and FHFA rescued pursuant to HERA. As with Fannie Mae, FHFA was appointed conservator of Freddie Mac and the PSPA and Third Amendment at the heart of this action apply virtually equally to Freddie Mac. *See* Ex. C, Complaint, *Edwards et al. v. PricewaterhouseCoopers LLP*, No. 16-cv-21224-FAM (S.D. Fla.).

PSPA and the Third Amendment caused harm to their shares.³ To promote judicial economy, FHFA has filed a motion seeking consolidation of the pending cases (the “Related Actions”) into a multidistrict litigation, and it has notified the Panel of subsequently filed Related Actions, including this case. Exs. A, B; Ex. D, Notice of Related Actions, *In re Fed. Hous. Fin. Agency, et al., Preferred Stock Purchase Agreements Third Amendment Litig.*, MDL Dkt. 2713, Mar. 28, 2016, ECF Doc. No. 9.

Four of the cases before the Panel already have been stayed pending resolution of FHFA’s motion, and requests to stay the remaining cases are pending or forthcoming. *See, e.g.*, Ex. I, Notification of Docket Entry, *Roberts v. FHFA*, No. 16-2107 (N.D. Ill.), Apr. 8, 2016, ECF Doc. No. 23 (granting stay); Ex. E, Order, *Saxton v. FHFA*, No. 15-47 (N.D. Iowa), Apr. 4, 2016, ECF Doc. No. 79 (same); Ex. F, Order, *Jacobs v. FHFA*, No. 15-00708 (D. Del.), Mar. 30, 2016, ECF Doc. No. 44 (same); Ex. H, Docket Sheet, *Pagliara v. Fed. Nat’l Mortg. Ass’n*, No. 16-00193 (D. Del.), Mar. 29, 2016, ECF Doc. No. 4-1 (same). The Panel is expected to hear FHFA’s motion on May 26, 2016.

³ *Pagliara v. Fed. Nat’l Mortg. Ass’n*, No. 16-193 (D. Del.); *Pagliara v. Fed. Home Loan Mortg. Corp.*, No. 16-00337 (E.D. Va.); *Roberts v. FHFA*, No. 16-2107 (N.D. Ill.); *Saxton v. FHFA*, No. 15-047 (N.D. Iowa); *Jacobs v. FHFA*, No. 15-708 (D. Del.); *Robinson v. FHFA*, No. 15-cv-109 (E.D. Ky.); *Fairholme Funds, Inc. v. FHFA*, No. 13-1053 (D.D.C.); *Arrowood Indemnity Co. v. Fed. Nat’l Mortg. Ass’n*, No. 13-01439 (D.D.C.); *Liao v. Lew*, No. 13-1094 (D.D.C.); *Cacciapelle v. Fed. Nat’l Mortg. Ass’n*, No. 13-01149 (D.D.C.); *Am.-European Ins. Co. v. Fed. Nat’l Mortg. Ass’n*, No. 13-01169 (D.D.C.); *Cane v. FHFA*, No. 13-01184 (D.D.C.); *Dennis v. United States*, No. 13-01208 (D.D.C.); *Marneu Holdings, Co. v. FHFA*, No. 13-01421 (D.D.C.); *Borodkin v. Fed. Nat’l Mortg. Ass’n*, No. 13-01443 (D.D.C.); *see also Cont’l W. Ins. Co. v. FHFA*, 83 F. Supp. 3d 828 (S.D. Iowa 2015) (dismissed); *Perry Capital LLC v. Lew*, 70 F. Supp. 3d 208 (D.D.C. 2014) (dismissed).

D. Plaintiffs' Suit Against Deloitte

Plaintiffs, alleged owners of Fannie Mae stock,⁴ filed this action (the “Action”) against Deloitte in the Circuit Court for the Eleventh Judicial Circuit in and for Miami-Dade County, Florida, but they have not yet served Deloitte with the Complaint. *See* Compl. Plaintiffs assert claims against Deloitte, Fannie Mae’s independent auditor, for aiding and abetting breaches of fiduciary duty by U.S. Treasury, FHFA and the directors and officers of Fannie Mae, and for negligent misrepresentation (Restatement (2d) of Torts § 552). *See generally id.* Plaintiffs seek to recover from Defendant alleged losses totaling “hundreds of millions of dollars.” Compl. ¶¶ 9-10.

This Action presents the same common facts and threshold legal issues as the Related Cases—the central allegation of the Complaint is that the Third Amendment was improper and has caused harm to Plaintiffs as Fannie Mae shareholders. *Id.* ¶¶ 31-43. Further, this Action and the Related Actions present many of the same legal issues, including whether Fannie Mae shareholders have standing to bring their purported claims in light of HERA’s mandate that the FHFA has succeeded to “all rights, titles, powers, and privileges” of Fannie Mae’s shareholders. 12 U.S.C. § 4617(b)(2)(A)(i).

On April 6, 2016, Deloitte removed the action to this Court on the basis of federal question jurisdiction. *See* Notice of Removal, ECF Doc. No. 1. On April 7, 2016, FHFA filed a Notice of Related Action with the Panel, informing the Panel of this Action and requesting consolidation with the other Related Actions in an MDL. Ex. B.

⁴ Plaintiffs are 39 individuals and entities from Tennessee, Florida, California, Maine, New York, Missouri and North Carolina.

ARGUMENT

Deloitte respectfully requests that the Court temporarily stay all proceedings in this Action until the Panel rules on FHFA's pending motion to transfer and FHFA's Notice of Related Action. Granting a stay is well within the Court's inherent power "to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants." *Landis v. N. Am. Co.*, 299 U.S. 248, 254, 57 S. Ct. 163, 166, 81 L. Ed. 153 (1936); *see also Republic of Venezuela v. Philip Morris Cos.*, No. 99-586, 1999 U.S. Dist. LEXIS 22742, at *5-6 (S.D. Fla. Apr. 28, 1999) (recognizing such power to "ensure a 'fair and efficient' adjudication of matters"). In fact, "[i]t is common practice for courts to stay an action pending a transfer decision by the JPML" because doing so promotes efficiency and consistency. *Bonenfant v. R.J. Reynolds Tobacco Co.*, No. 07-cv-60301, 2007 U.S. Dist. LEXIS 65614, at *3 (S.D. Fla. July 31, 2007) (citing *Republic of Venezuela*, 1999 U.S. Dist. LEXIS 22742); *Rivers v. Walt Disney Co.*, 980 F. Supp. 1358, 1362 (C.D. Cal. 1997) ("A majority of courts have concluded that it is often appropriate to stay preliminary pretrial proceedings while a motion to transfer and consolidate is pending with the MDL Panel because of the judicial resources that are conserved." (citing authorities)).⁵

Courts consider three factors when deciding a motion to stay: (1) the economical use of judicial resources; (2) potential prejudice to the non-moving party if the stay is granted; and

⁵ *See also, e.g., Pulley v. JPMorgan Chase Bank, N.A.*, No. 12-60936, 2012 WL 2838677, at *1 (S.D. Fla. July 10, 2012) (granting a stay pending the Panel's decision because "such a stay can increase efficiency and consistency") (internal quotation marks omitted); *Giles v. POM Wonderful LLC*, No. 10-cv-61684, 2010 U.S. Dist. LEXIS 122992, at *2-3 (S.D. Fla. Nov. 8, 2010) ("Judicial consistency and economy would be best served by imposing a brief stay of this action pending a transfer decision by the JPML."); *Milrot v. Apple, Inc.*, No. 10-cv-61130, 2010 U.S. Dist. LEXIS 97505, at *4 (S.D. Fla. Aug. 27, 2010) (concluding that it is "far better for judicial economy and the orderly determination of these cases for any pretrial determination of the merits of this case to be handled by the transferee court selected by the JPML").

(3) hardship to the moving party if the stay is not granted.⁶ Each of these factors strongly favors staying this action pending the Panel's decision on FHFA's motion to transfer and Notice of Related Action. Accordingly, federal courts already have stayed four of the Related Actions pending the Panel's decision on transfer. Exs. E, F, H, I.

A. A Stay Will Promote Judicial Economy And Avoid Duplicative Litigation

The principal purposes of coordination and consolidation of cases in multidistrict litigation are to promote judicial economy and to avoid duplicative litigation and inconsistent holdings. *See, e.g., In re N.Y. City Mun. Sec. Litig.*, 572 F.2d 49, 51-52 (2d Cir. 1978); *Aikins v. Microsoft Corp.*, No. 00-0242, 2000 WL 310391, at *1 (E.D. La. Mar. 24, 2000); Ex. A at 3-4. Staying this action pending the Panel's decision would accomplish all of these aims.

This action shares with the Related Cases multiple common factual and legal issues regarding the conduct of U.S. Treasury, FHFA and Fannie Mae's directors during Fannie Mae's conservatorship, including among other issues, whether: (i) the decision by U.S. Treasury and FHFA to enter into the Third Amendment and implement its provisions was proper; (ii) U.S. Treasury, FHFA and Fannie Mae's directors have any duties to Fannie Mae's shareholders during FHFA's conservatorship; (iii) FHFA, as conservator, made appropriate accounting assumptions about Fannie Mae's future prospects; (iv) Fannie Mae shareholders were harmed by the PSPA or the Third Amendment; and (v) under HERA, there are any events that would require FHFA to terminate its conservatorship of Fannie Mae and whether such events have occurred.

⁶ *See, e.g., Jackson v. Merck & Co., Inc.*, No. 06-1004, 2006 WL 448695, at *1 (W.D. Tenn. Feb. 19, 2006); *Bledsoe v. Janssen Pharm.*, No. 05-2330, 2006 WL 335450, at *1 (E.D. Mo. Feb. 13, 2006); *Hertz Corp. v. The Gator Corp.*, 250 F. Supp. 2d. 421, 426-28 (D.N.J. 2003); *Falgoust v. Microsoft Corp.*, No. 00-779, 2000 WL 462919, at *2 (E.D. La. Apr. 19, 2000); *Rivers*, 980 F. Supp. at 1360.

All of the cases likewise present the threshold legal issue of whether Fannie Mae shareholders have the authority to bring their claims in light of HERA's express transfer of all rights, powers and privileges of Fannie Mae shareholders to FHFA as conservator, 12 U.S.C. § 4617(b)(2)(A)(i), and that very issue has been addressed in parallel litigation in the proposed transferee court. *See Perry Capital LLC v. Lew*, 70 F. Supp. 3d 208 (D.D.C. 2014); *Bonenfant*, 2007 U.S. Dist. LEXIS 65614, at *3 (entering a stay pending transfer where there were "jurisdictional questions regarding who the appropriate parties in an *Engle* action should be, and the Court has seen almost identical motion practice in the above-styled cause and the other *Engle* action assigned to it"); *see also Kline v. Earl Stewart Holdings, LLC*, No. 10-cv-80912, 2010 WL 3432824 (S.D. Fla. Aug. 30, 2010).

For all of these reasons, and in accordance with clear precedent from this District, the Court should stay this action to promote the efficiencies sought in the MDL motion.

B. A Temporary Stay Does Not Prejudice Plaintiffs

The stay in this action will be brief: FHFA filed its motion to transfer on March 15, 2016, the notice of this related action was filed on April 7, 2016, and the Panel endeavors to rule on motions to transfer "in relatively short order." *Paul v. Aviva Life & Annuity Co.*, No. 09-1038, 2009 WL 2244766, at *1 (N.D. Ill. July 27, 2009). Indeed, the MDL is expected to hear argument on FHFA's motion on May 26. Moreover, this application for a stay comes at a time when the Action is not "procedurally advanced." *Kline*, 2010 WL 3432824, at *1. Plaintiffs have not even served Deloitte with the Complaint, which Plaintiffs filed on or around February 29, 2016, and thus they cannot possibly be prejudiced by a brief stay. By definition, no discovery has taken place in this Action, and that fact likewise defeats any claim of prejudice by Plaintiffs. *See, e.g., Apple, Inc.*, 2010 U.S. Dist. LEXIS 97505, at *4 (granting stay pending transfer motion where "discovery has not yet begun and the case is less than 60 days old" and

Panel decision is forthcoming); *Republic of Venezuela*, 1999 U.S. Dist. LEXIS 22742, at *6 (finding no prejudice from a stay where Panel would hear motion to transfer and consolidate within 4 weeks); *Rivers*, 980 F. Supp. at 1362 n.5 (granting temporary stay where Panel would hear motion to transfer and consolidate within 5 weeks after issuance of stay).

Accordingly, the temporary stay that Deloitte requests will not cause Plaintiff undue prejudice, which in any event is easily outweighed by the salutary effects of the stay—increasing judicial economy and efficiency, minimizing prejudice to Defendant and the federal agencies, and avoiding inconsistent rulings. *See, e.g., Rivers*, 980 F. Supp. at 1362.

C. Denying The Stay Would Create Hardships For Defendant

Further, the possibility of duplicative litigation and inconsistent rulings creates a risk of significant hardship for Deloitte (and the federal agencies) and thus weighs heavily in favor of a stay. Absent a stay, Deloitte must expend resources to defend this Action, notwithstanding the likelihood of transfer. A stay would relieve this unnecessary burden on Deloitte, and it would avoid the risk of inconsistent rulings across cases that arise out of and relate to substantially the same set of facts, allegations and legal issues. *See In re Dep't of Energy Stripper Well Exemption Litig.*, 472 F. Supp. 1282, 1285 (J.P.M.L. 1979) (transferring cases “in order to . . . eliminate the possibility of conflicting pretrial rulings” where the litigation shared “questions of fact and law arising under a complicated series of statutes”); *Kline*, 2010 WL 3432824, at *2 (“It is far better for judicial economy and the consistency of judicial rulings for any pretrial determination of jurisdiction to be handled by the transferee court selected by the JPML.”).

CONCLUSION

For the foregoing reasons, the Court should stay this action until after the Panel rules on FHFA’s pending Motion to Transfer and Notice of Related Action.

LOCAL RULE 7.1 CERTIFICATION

Undersigned counsel has conferred with Counsel for Plaintiffs in a good faith effort to resolve the issues raised in this motion and has been unable to do so. Plaintiffs advised that they intend to move to remand the action to state court. Plaintiffs have indicated that they oppose a stay with respect to their anticipated motion to remand, but do not oppose a stay with respect to other aspects of this action. Defendant's position is that all proceedings should be stayed until after the Panel rules on FHFA's pending Motion for Transfer and Notice of Related Action.

[signature page follows]

Dated: Miami, Florida
April 11, 2016

Respectfully submitted,

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Attorneys for Defendant Deloitte & Touche LLP

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was filed with the Clerk of the Court via CM/ECF and served upon all counsel of record on the attached service list via delivery of Electronic Notices of Filing and e-mail on April 11, 2016.

s/ Peter Prieto _____
Peter Prieto

SERVICE LIST

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Counsel for Plaintiffs

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION
Civil Action No: 1:16-cv-21221-Scola

MASTER SGT. ANTHONY R.
EDWARDS, USAF, RETIRED, *et al.*

Plaintiffs,

v.

DELOITTE & TOUCHE LLP,

Defendant,

**DECLARATION OF KEVIN M. MCDONOUGH IN SUPPORT OF
DEFENDANT'S MOTION TO STAY PENDING ACTION BY THE
JUDICIAL PANEL ON MULTIDISTRICT LITIGATION**

I, Kevin M. McDonough, am a Partner of the law firm of Latham & Watkins LLP, 885 Third Avenue, New York, NY 10022-4834. I am admitted to the Bars of the States of New Jersey and New York. I am submitting this declaration in support of Defendant Deloitte & Touche LLP's Motion to Stay Pending Action by the Judicial Panel on Multidistrict Litigation.

1. Attached as Exhibit A (without select exhibits) is a true and correct copy of the Federal Housing Finance Agency's ("FHFA") Motion for Transfer of Actions to the United States District Court for the District of Columbia filed in the action captioned *In re Fed. Hous. Fin. Agency, et al., Preferred Stock Purchase Agreements Third Amendment Litigation*, MDL No. 2713, dated March 15, 2016.

2. Attached as Exhibit B (without select exhibits) is a true and correct copy of the Notice of Related Actions filed in the action captioned *In re Fed. Hous. Fin. Agency, et*

al., Preferred Stock Purchase Agreements Third Amendment Litigation, MDL No. 2713, on April 7, 2016.

3. Attached as Exhibit C is a true and correct copy of the Complaint filed in the action captioned *Master Sgt. Anthony R. Edwards, USAF, Retired, et al., v. PricewaterhouseCoopers, LLP*, No. 16-CV-21224-FAM (S.D. Fla.), on April 6, 2016.

4. Attached as Exhibit D (without select exhibits) is a true and correct copy of the Notice of Related Actions filed by FHFA in the action captioned *In re Fed. Hous. Fin. Agency, et al., Preferred Stock Purchase Agreements Third Amendment Litigation*, MDL No. 2713, on March 28, 2016.

5. Attached as Exhibit E is a true and correct copy of the Order filed in the action captioned *Saxton v. The Fed. Hous. Fin. Agency, et al.*, No. 15-CV-47-LRR (N.D. Iowa), on April 4, 2016.

6. Attached as Exhibit F is a true and correct copy of the Order filed in the action captioned *Jacobs v. The Fed. Hous. Fin. Agency, et al.*, No. 15-CV-708-GMS (D. Del.), on March 30, 2016.

7. Attached as Exhibit G is a true and correct copy of the Proposed Order filed in the action captioned *Pagliara v. Fed. Nat'l Mortg. Ass'n*, No. 16-CV-00193-GMS (D. Del.), on March 29, 2016.


8. Attached as Exhibit H is a true and correct copy of the civil docket sheet in the action captioned *Pagliara v. Fed. Nat'l Mortg. Ass'n*, No. 16-CV-00193-GMS (D. Del.), as of April 7, 2016, reflecting that the Proposed Order attached as Exhibit G was so ordered.

9. Attached as Exhibit I is a true and correct copy of the Notification of Docket Entry filed in the action captioned *Roberts v. The Fed. Hous. Fin. Agency, et al.*, No. 16-CV-02107-EEC (N.D. Ill.), on April 8, 2016.

I declare under penalty of perjury that the foregoing is true and correct, pursuant to 28 U.S.C. § 1746.

Executed on the 11th day of April 2016.

Respectfully submitted,



Kevin M. McDonough

EXHIBIT A

**BEFORE THE UNITED STATES
JUDICIAL PANEL ON MULTIDISTRICT LITIGATION**

)	
In Re:)	
)	MDL No. _____
Third Amendment Litigation)	
)	

**FEDERAL HOUSING FINANCE AGENCY’S MOTION FOR TRANSFER OF
ACTIONS TO THE U.S. DISTRICT COURT FOR THE DISTRICT OF COLUMBIA**

The Federal Housing Finance Agency (“FHFA” or the “Conservator”) respectfully moves the Judicial Panel on Multidistrict Litigation (the “Panel”) for an order, pursuant to 28 U.S.C. § 1407, transferring four pending actions concerning the Conservator’s and the U.S. Department of the Treasury’s (“Treasury”) entry into the Third Amendment to the Senior Preferred Stock Agreements, as well as any subsequent actions, to the U.S. District Court for the District of Columbia for coordinated or consolidated pretrial proceedings. The Schedule of Actions filed herewith identifies the currently pending actions subject to FHFA’s motion.

In support of its motion, FHFA states:

1. FHFA was created by the Housing Economic Recovery Act of 2008 (“HERA”) as an independent federal agency with supervisory and regulatory authority over the Federal Home Loan Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac,” and, together with Fannie Mae, the “Enterprises”). 12 U.S.C. § 4511 *et seq.* The Enterprises are congressionally chartered with the mission of providing liquidity and stability to the Nation’s secondary residential mortgage market and expanding access to mortgage credit throughout the Nation. *See id.* § 1716 (Fannie Mae); *id.* § 1451 note (Freddie Mac).

2. In September 2008, the FHFA Director, acting pursuant to his powers under HERA, placed the Enterprises in conservatorships and appointed FHFA as Conservator. *Id.* § 4617(a)(2). The Conservator “immediately succeed[ed] to . . . all rights, titles, powers, and privileges of the [Enterprises], and of any stockholder, officer, or director of [the Enterprises].” *Id.* § 4617(b)(2)(A). HERA consolidates control of the Enterprises with the Conservator, *see id.* § 4617(b)(2), and it reinforces and facilitates the Conservator’s plenary operational authority by shielding the Conservator’s actions from judicial review. *Id.* § 4617(f) (“[N]o court may take any action to restrain or affect the exercise of powers or functions of the Agency as conservator.”).

3. The Conservator—acting on behalf of the Enterprises—and Treasury entered into two preferred stock purchase agreements (“PSPAs”) wherein Treasury agreed to commit billions of U.S. taxpayer dollars to ensure that the Enterprises did not enter mandatory receivership. *See* 12 U.S.C. § 4617(a)(4). Under the PSPAs, an Enterprise must draw funds from Treasury if its net worth is negative—defined as liabilities exceeding assets in accordance with U.S. Generally Accepted Accounting Principles—in any calendar quarter. Combined, the Enterprises have made 24 draws totaling approximately \$187 billion on the Treasury commitment.

4. Under the PSPAs, the Enterprises were obligated to pay Treasury a fixed quarterly dividend and a periodic commitment fee (“PCF”), intended to compensate U.S. taxpayers fully for the commitment.

5. FHFA and Treasury amended the PSPAs to, among other things, increase Treasury’s commitment of funds. In the most recent of these amendments, executed on

August 17, 2012 (the “Third Amendment”), FHFA and Treasury replaced the fixed quarterly dividend with a variable dividend equal to the Enterprises’ quarterly earnings, if any. The Third Amendment also suspended the PCF for so long as the variable dividend is in place.

6. Enterprise shareholders have filed 15 complaints challenging the Third Amendment in six different U.S. district courts.¹ Those actions bring materially identical claims against FHFA and Treasury seeking materially identical relief. They allege that FHFA and Treasury acted outside their statutory powers in violation of the Administrative Procedure Act (“APA”), 5 U.S.C. § 551 *et seq.*, and/or assert Delaware and Virginia state law claims for breach of contract, breach of the implied duty of good faith and fair dealing, and breach of fiduciary duty. Plaintiffs ask the courts to declare that the Third Amendment violates HERA, to vacate the Third Amendment, and to enjoin FHFA and Treasury officials from taking any actions pursuant to the Third Amendment. Plaintiffs also ask the courts to rescind the Third Amendment and to return to the Enterprises all monies paid to Treasury under the Third Amendment.

7. HERA, however, bars shareholders from second-guessing the Conservator’s operational decisions, expressly foreclosing judicial review that would restrain or affect the Conservator’s exercise of its statutory powers, *see* 12 U.S.C. § 4617(f), and transferring to the Conservator the very “rights, titles, powers, and privileges” upon which shareholders rely in the various actions, *see id.* § 4617(b)(2)(A)(i).

8. Bringing all of these cases, which raise common questions of fact, before a single tribunal for pretrial proceedings will serve the convenience of the parties and witnesses as well

¹ Enterprise shareholders have also filed two actions against the Enterprises’ auditors in Florida state court. *Master Sgt. Edwards v. Deloitte & Touche, LLP*, No. 2016-004986-CA-01 (Fla. Cir. Ct. Feb. 29, 2016); *Master Sgt. Edwards v. PricewaterhouseCoopers, LLP*, No. 2016-005875-CA-01 (Fla. Cir. Ct. Mar. 9, 2016). Though it is not a party to either action, the Conservator is monitoring those cases, which raise many of the same questions of fact and law as the 15 actions filed in U.S. district courts.

as promote the just and efficient conduct of the actions. The need to avoid inconsistent pre-trial rulings, to foreclose the possibility of duplicative discovery, and to conserve the efforts and resources of the parties and the judiciary all weigh heavily in favor of transferring these cases to a single court for coordinated or consolidated pretrial proceedings.

9. Existence of Multiple Litigation As detailed in the accompanying memorandum in support of this Motion and the Schedule of Actions, shareholders have filed at least 15 complaints challenging the Third Amendment in six U.S. district courts.

a. Courts have granted the motions to dismiss filed by FHFA and Treasury with respect to eleven of the complaints. *See Perry Capital LLC v. Lew*, 70 F. Supp. 3d 208 (D.D.C. 2014); *Cont'l W. Ins. Co. v. FHFA*, 83 F. Supp. 3d 828 (S.D. Iowa 2015). Plaintiffs have appealed the decision of the District Court for the District of Columbia. Briefing on the appeal is completed and argument is scheduled for April 15, 2016 in the U.S. Court of Appeals for the D.C. Circuit. Plaintiff in *Continental Western Insurance Co.* did not appeal the district court's decision to the U.S. Court of Appeals for the Eighth Circuit.

b. Four cases (the "Related Cases") are currently pending in the U.S. district courts for the districts of Delaware, Eastern Kentucky, Northern Iowa, and Northern Illinois.

c. Based on demand letters received by the Enterprises' boards of directors, FHFA anticipates the filing of additional shareholder actions challenging the Third Amendment.

10. Existence of Common Questions of Fact The Related Cases all involve common questions of fact and law, common pretrial procedural issues, and common parties:

a. Each of the Related Cases names FHFA and Treasury as defendants and challenges the Third Amendment, raising substantially similar factual allegations regarding FHFA's and Treasury's execution of and performance under the Third Amendment.

b. Three of the four Related Cases assert claims under the APA, alleging that FHFA and Treasury acted beyond their statutory powers and that Treasury's conduct was arbitrary and capricious.

c. The disposition of all pending claims on the merits would require the examination and consideration of Treasury's administrative record.

d. The Conservator maintains that it was under no obligation to maintain or file an administrative record. FHFA anticipates litigating whether it was required to maintain an administrative record, as well as the adequacy of any record it should be ordered to file.

e. Two of the four Related Cases assert substantially similar claims under Delaware and Virginia state law, alleging breach of contract and breach of the implied duty of good faith and fair dealing.

f. HERA limits the jurisdiction of federal district courts and forecloses judicial review where the relief sought would "restrain or affect" the Conservator's exercise of its statutory powers. 12 U.S.C. § 4617(f). The relief sought in the Related Cases would vacate the Third Amendment and enjoin FHFA and Treasury officials from taking any action pursuant to the Third Amendment. Such relief would restrain or affect the exercise of the Conservator's powers, unwinding the financing agreement that ensures the Enterprises do not enter mandatory receivership. Thus, the Related Cases present common threshold legal issues regarding the courts' jurisdiction.

g. Resolving those dispositive issues based on FHFA's and Treasury's motions to dismiss will require the courts to examine HERA and the Enterprises' federal statutory charters to determine whether the Conservator and Treasury acted within their statutory powers when entering into the Third Amendment.

h. All of the plaintiffs in the Related Cases are Enterprise shareholders, and the Related Cases present the same threshold legal issue of whether the shareholders may maintain those actions in light of the Conservator's succession to "all rights, titles, powers, and privileges" of Enterprise shareholders. 12 U.S.C. § 4617(b)(2)(A)(i).

11. Benefits of Consolidation Consolidation of these actions for pretrial proceedings will serve the convenience of the parties and promote the just and efficient conduct of the actions for at least the following reasons:

a. The claims, issues, and questions of fact and law regarding entry into the Third Amendment and the district courts' jurisdiction are substantially identical in each of the actions.

b. Pretrial motions will be dispositive in all of these actions; it is unlikely that trials will occur.

c. Common issues concerning the Conservator's obligation to maintain and file an administrative record, the completeness of the administrative record, and the supplementation of the administrative record may arise in each of the currently pending actions. Transfer will ensure consistent rulings on the Conservator's need to maintain and file an administrative record. Transfer will also ensure consistent rulings regarding challenges to and/or supplementation of Treasury's and FHFA's record (should FHFA be ordered to file one).

12. Choice of Forum and Judge The U.S. District Court for the District of Columbia is the appropriate forum for all of the Related Cases. It was the venue for ten complaints concerning the validity of the Third Amendment. *See Perry Capital*, 70 F. Supp. 3d. at 246. Additionally, the U.S. District Court for the District of Columbia is the most appropriate transferee court because FHFA, Treasury, and Fannie Mae are located in Washington, D.C. Freddie Mac is headquartered in the Washington, D.C. metropolitan area. Thus, the relevant documents, decision-makers, and administrative record are all located in and around Washington, D.C. Moreover, counsel for FHFA and Treasury are in Washington, D.C., and transfer would eliminate the need for travel to Pikeville, Kentucky, Cedar Rapids, Iowa, and/or any other locale where shareholders may file copycat complaints.

Pursuant to the accompanying Certificate of Service, a copy of this Motion and the attached Schedule of Actions, and the accompanying brief in support of this Motion have been filed with the clerk of each district court identified in the Schedule of Actions and served on counsel for all parties listed in the Schedule of Actions.

DATED: March 15, 2016

Respectfully submitted,

/s/ Howard N. Cayne

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**BEFORE THE UNITED STATES
JUDICIAL PANEL ON MULTIDISTRICT LITIGATION**

)	
In Re:)	
)	MDL No. ____
Third Amendment Litigation)	
)	

**MEMORANDUM OF LAW IN SUPPORT OF FEDERAL HOUSING FINANCE
AGENCY’S MOTION TO TRANSFER FOR COORDINATED OR CONSOLIDATED
PRETRIAL PROCEEDINGS UNDER 28 U.S.C. § 1407**

The Federal Housing Finance Agency (“FHFA” or the “Conservator”), as Conservator of Fannie Mae and Freddie Mac (the “Enterprises”), respectfully requests that the Judicial Panel on Multidistrict Litigation (the “Panel”) transfer four Enterprise-shareholder actions pending in four district courts (the “Related Cases”) to the U.S. District Court for the District of Columbia for coordinated pretrial proceedings. Each case—and more that FHFA expects may soon be filed— involves plaintiffs with the *same* interests asserting the *same* claims arising out of the *same* transaction against the *same* defendants.

As with eleven other actions filed in the District of Columbia and the Southern District of Iowa, which have already been dismissed on motions by FHFA and the U.S. Department of the Treasury (“Treasury”), the cases proposed for transfer concern the Conservator’s agreement to amend the Preferred Stock Purchase Agreements (“PSPAs”) by which Treasury committed hundreds of billions of dollars to support the Enterprises’ solvency. Plaintiffs allege that in agreeing to provide Treasury a variable dividend measured by the Enterprises’ quarterly earnings, the Conservator and Treasury acted illegally. The claims and relief sought in each of the four Related Cases are substantially similar; indeed, the Complaints are virtually identical. As a practical matter, plaintiffs are relitigating the same legal issues over and over in hopes of

finding a court that will rule in their favor. Transfer would benefit the parties, the courts, and the efficient administration of justice.

BACKGROUND

A. FHFA, Fannie Mae, Freddie Mac, and the Conservatorships

Congress chartered Fannie Mae and Freddie Mac to establish secondary market facilities for residential mortgages, provide stability in the secondary market for residential mortgages, and promote access to mortgage credit. 12 U.S.C. § 1716 (Fannie Mae); *id.* § 1451 note (Freddie Mac). In July 2008, Congress passed the Housing Economic Recovery Act of 2008 (“HERA”), Pub. L. No. 110-289, § 1101, 122 Stat. 2654, 2661 (codified as 12 U.S.C. § 4511 *et seq.*), and created FHFA as the sole regulator for Fannie Mae and Freddie Mac.

The Enterprises suffered massive losses and were at grave risk of insolvency as a result of the collapse of the housing market in 2008. On September 6, 2008, FHFA’s Director appointed FHFA as the Enterprises’ Conservator, “for the purpose of reorganizing, rehabilitating, or winding up [their] affairs.” 12 U.S.C. § 4617(a)(2). Upon appointment, the Conservator “immediately succeed[ed] to . . . all rights, titles, powers, and privileges of the [Enterprises], and of any stockholder, officer, or director of [the Enterprises].” *Id.* § 4617(b)(2)(A). Congress vested the Conservator with broad powers to “operate” the Enterprises, “carry on the business” of the Enterprises, enter into contracts on behalf of the Enterprises, “transfer or sell any [Enterprise] asset . . . without any approval,” take actions to put the Enterprises in a “sound and solvent condition,” and “preserve and conserve” their assets. *Id.* § 4617(b)(2).

Pursuant to those powers, and on behalf of the Enterprises, the Conservator entered into the PSPAs with Treasury pursuant to which, after subsequent amendments, Treasury committed to infuse nearly half a trillion dollars into the Enterprises when and as necessary to eliminate any net worth deficit. In exchange for that ongoing commitment, the PSPAs granted Treasury a

package of rights, including, *inter alia*, (i) an annual dividend equal to 10% of the amount of each Enterprise’s respective draws from the commitment, and (ii) a periodic commitment fee (“PCF”) intended to fully compensate the taxpayers for Treasury’s commitment of ongoing support.

On August 17, 2012, FHFA and Treasury executed the Third Amendment to the PSPAs (the “Third Amendment”), replacing the fixed 10% dividend with a variable rate dividend equal to the Enterprises’ quarterly earnings, if any, and suspending the PCF while the variable dividend was in effect. To date, Treasury has made 24 infusions into the Enterprises totaling more than \$187 billion. *See FHFA, Treasury and Federal Reserve Purchase Programs for GSE and Mortgage-Related Securities Data as of November 6, 2015*, at 2 (2015), <http://goo.gl/D54JHs>. Today, \$258 billion of the Treasury commitment remains available to support the Enterprises and ensure they continue to fulfill their important statutory missions.

B. The Related Cases

Enterprise shareholders have now filed 15 nearly identical complaints challenging the Third Amendment in the U.S. District Courts for the District of Columbia, the Southern District of Iowa, the Northern District of Iowa, the District of Delaware, the Northern District of Illinois, and the Eastern District of Kentucky.¹ Ten of those actions were decided in *Perry Capital LLC v. Lew*, 70 F. Supp. 3d 208 (D.D.C. 2014), and are currently on appeal to the U.S. Court of

¹ Two actions filed by Enterprise shareholders against the Enterprises’ auditors are currently pending in Florida state court. *Master Sgt. Edwards v. Deloitte & Touche, LLP*, No. 2016-004986-CA-01 (Fla. Cir. Ct. Feb. 29, 2016); *Master Sgt. Edwards v. PricewaterhouseCoopers, LLP*, No. 2016-005875-CA-01 (Fla. Cir. Ct. Mar. 9, 2016). The Conservator is monitoring both cases, which raise many of the same questions of fact and law regarding the conservatorships as the 15 cases filed in U.S. district courts.

Appeals for the District of Columbia Circuit.² An eleventh action brought by another shareholder was dismissed on issue preclusion grounds in an opinion that was not appealed.³

The four currently pending Related Cases are:

- *Saxton v. FHFA*, No. 1:15-cv-00047, was filed on May 28, 2015 in the U.S. District Court for the Northern District of Iowa and is pending before Chief Judge Linda R. Reade. The *Saxton* plaintiffs filed an Amended Complaint under seal on February 9, 2016. (Docket Sheet attached hereto; Amended Complaint filed under seal.)
- *Jacobs v. FHFA*, No. 1:15-cv-00708, was filed on August 17, 2015 in the U.S. District Court for the District of Delaware and is pending before Judge Gregory M. Sleet. (Docket Sheet and Complaint attached hereto.)
- *Robinson v. FHFA*, No. 7:15-cv-00109, was filed on October 23, 2015 in the U.S. District Court for the Eastern District of Kentucky and is pending before Judge Amul R. Thapar. The *Robinson* plaintiff filed an Amended Complaint under seal on December 29, 2015. (Docket Sheet attached hereto; Amended Complaint filed under seal.)
- *Roberts v. FHFA*, No. 1:16-CV-02107, was filed on February 10, 2016 in the U.S. District Court for the Northern District of Illinois and is pending before Judge Edmond E. Chang. (Docket Sheet and Complaint attached hereto.)

The eleven earlier-filed actions and the four Related Cases all assert materially identical claims against FHFA and Treasury that arise out of the same conduct: the Conservator's and

² Those cases are: *Perry Capital LLC*, 70 F. Supp. 3d 208 (filed July 7, 2013 in D.C.); *Fairholme Funds, Inc. v. FHFA*, No. 13-cv-01053 (filed July 10, 2013 in D.C.); *Arrowood Indemnity Co. v. Fed. Nat'l Mortg. Ass'n*, No. 13-cv-01439 (filed September 20, 2013 in D.C.); *Liao v. Lew*, No. 13-cv-01094 (filed July 16, 2013 in D.C.); *Cacciapelle v. Fed. Nat'l Mortg. Ass'n*, No.13-cv-01149 (filed July 29, 2013 in D.C.); *Am.-European Ins. Co. v. Fed. Nat'l Mortg. Ass'n*, No.13-cv-01169 (filed July 30, 2013 in D.C.); *Cane v. FHFA*, No. 13-cv-01184 (filed August 1, 2013 in D.C.); *Dennis v. United States*, No. 13-cv-01208 (filed August 5, 2013 in D.C.); *Marneu Holdings, Co. v. FHFA*, No. 13-cv-01421 (filed September 18, 2013 in D.C.); *Borodkin v. Fed. Nat'l Mortg. Ass'n*, No. 13-cv-01443 (filed September 20, 2013 in D.C.). On November 18, 2013, the *Liao*, *Cacciapelle*, *Am.-European Ins. Co.*, *Cane*, *Dennis*, *Marneu Holdings*, and *Borodkin* actions were consolidated as *In re Senior Preferred Stock Purchase*, No. 13-mc-1288, in the District of Columbia.

³ *Cont'l W. Ins. Co. v. FHFA*, 83 F. Supp. 3d 828 (S.D. Iowa 2015) (filed February 5, 2014).

Treasury's August 17, 2012 entry into the Third Amendment. The four Related Cases together assert 21 materially identical or substantially similar causes of action. Three of the four Related Cases bring claims under the Administrative Procedure Act ("APA"), 5 U.S.C. § 701, *et seq.*, alleging that FHFA exceeded its statutory authority as the Enterprises' Conservator, Treasury exceeded its temporary authority to purchase Enterprise securities, and Treasury's actions were arbitrary and capricious. *See Saxton* Am. Compl. ¶¶ 134-62 (Counts I, II & II); *Robinson* Am. Compl. ¶¶ 136-64 (Counts I, II & III); *Roberts* Compl. ¶¶ 125-57 (Counts I, II & III). Indeed, plaintiffs not only bring identical claims, but use materially identical language when asserting them. *Compare Saxton* Am. Compl. ¶¶ 136-39, 143 with *Robinson* Am. Compl. ¶¶ 138-41, 143 and *Roberts* Compl. ¶¶ 127-30, 136. *Saxton* and *Jacobs* rely on the same factual allegations regarding the Third Amendment to bring substantially similar state law claims for breach of contract and breach of the implied duty of good faith and fair dealing, and likewise use largely similar language when stating their claims for relief. *Saxton* Am. Compl. ¶¶ 163-81 (Counts IV & V); *Jacobs* Compl. ¶¶ 107-52 (Counts III, IV, V & IV).

All four Related Cases seek substantially identical declaratory and injunctive relief to void the Third Amendment. The plaintiffs in *Saxton*, *Robinson*, and *Roberts* pray for orders "[d]eclaring that the Net Worth Sweep, and its adoption, are not in accordance with HERA within the meaning of [the APA], and that Treasury acted arbitrarily and capriciously within the meaning of [the APA] by executing the Net Worth Sweep," while the *Jacobs* plaintiffs, who assert state-law claims, pray for an equivalent order "[d]eclaring the Net Worth Sweep is void and unenforceable." *Saxton* Am. Compl. Prayer for Relief (a); *see also Robinson* Am. Compl. Prayer for Relief (a) (same); *Roberts* Compl. Prayer for Relief (a) (same); *Jacobs* Compl. Prayer for Relief (D). Plaintiffs in all four Related Cases also ask for rescission and restitution of the

monies the Enterprises paid to Treasury under the Third Amendment, and three of the four plaintiffs ask the court to enjoin FHFA and Treasury officials from taking any further action under it. *Saxton* Am. Compl. Prayer for Relief (b)-(e); *Jacobs* Compl. Prayer for Relief (C); *Robinson* Am. Compl. Prayer for Relief (b)-(e); *Roberts* Compl. Prayer for Relief (b)-(e).

C. FHFA Anticipates Additional, Materially Identical Actions from Enterprise Shareholders

It is all but certain that the number of pending complaints challenging the Third Amendment will continue to grow. The boards of directors for Fannie Mae and Freddie Mac have received seven demand letters from three Enterprise shareholders presaging litigation. (Attached hereto as exhibits 1 through 7.) Each of these letters asserts that the Enterprises' directors have breached purported duties to the Enterprises and the Enterprises' shareholders by performing under the Third Amendment, and concludes that shareholders are entitled to file suit to seek equitable and legal relief absent action by the boards. Thus, although this motion pertains directly to only the four pending Related Cases, it is likely that there will soon be additional cases that should also be transferred for coordinated or consolidated pretrial proceedings. Indeed, one of the shareholders who sent letters to Fannie Mae and Freddie Mac has now filed suit against Fannie Mae in Delaware Chancery Court and against Freddie Mac in Virginia state court.⁴

ARGUMENT

The Panel may transfer cases for coordinated or consolidated pretrial proceedings if (i) the cases “involv[e] one or more common questions of fact,” (ii) transfer would further “the

⁴ *Pagliara v. Fed. Nat'l Mortg. Ass'n*, No. 12105-VCMR (Del. Ch. Mar. 14, 2016); *Pagliara v. Fed. Home Loan Mortg. Corp.*, No. CL 2016-03860 (Va. Cir. Ct. Mar. 14, 2016). The Conservator is monitoring those cases, which raise the same factual and legal issues, and purport to investigate the Third Amendment and the conservatorships.

convenience of parties and witnesses,” and (iii) transfer will “promote the just and efficient conduct of [the] actions.” 28 U.S.C. § 1407(a). All three criteria are easily satisfied here.

A. The Related Cases Involve Common Questions of Fact

Common questions of fact are presumed “when two or more complaints assert comparable allegations against identical defendants based upon similar transactions and events.” *In re Air W., Inc. Sec. Litig.*, 384 F. Supp. 609, 611 (J.P.M.L. 1974). Transfer is appropriate where “all actions can be expected to focus on a significant number of common events, defendants, and/or witnesses.” *In re Fed. Nat’l Mortg. Ass’n Sec. Derivative & “ERISA” Litig.*, 370 F. Supp. 2d 1359, 1361 (J.P.M.L. 2005).

Here, the operative factual allegations in each of the Related Cases are materially identical. *See Saxton Am. Compl.* ¶¶ 1, 14-25; *Jacobs Compl.* ¶¶ 1, 15-21; *Robinson Am. Compl.* ¶¶ 1, 14-26; *Roberts Compl.* ¶¶ 1, 15-21. Specifically, plaintiffs allege that FHFA and Treasury agreed to the variable dividend provision of the Third Amendment for supposedly improper purposes. *See Saxton Am. Compl.* ¶¶ 14-25; *Jacobs Compl.* ¶¶ 15-21; *Robinson Am. Compl.* ¶¶ 14-26; *Roberts Compl.* ¶¶ 15-21. FHFA has asserted dispositive jurisdictional defenses and will also contest plaintiffs’ allegations should litigation progress, but the allegations nevertheless confirm that the Related Cases share common questions of fact, satisfying Section 1407(a)’s threshold requirement.

B. Transfer for Coordination or Consolidation Will Serve the Convenience of the Parties and Witnesses, and Promote the Efficient Conduct of the Actions

Transfer for coordination or consolidation of the Related Cases will be convenient for the parties and witnesses because it will avoid duplicative pretrial activities. All Related Cases involve identically situated shareholder plaintiffs making the same factual allegations, asserting the same claims, and seeking the same relief. The Related Cases thus give rise to materially

identical, dispositive legal questions, and FHFA and Treasury have filed or intend to file motions to dismiss in each case, arguing, *inter alia*, that (i) 12 U.S.C. § 4617(f) bars jurisdiction,⁵ and (ii) the Conservator's succession to "all rights, titles, powers, and privileges" of all Enterprise shareholders precludes plaintiffs' claims, *see* 12 U.S.C. § 4617(b)(2)(A)(i).

Transfer is appropriate where numerous cases share common jurisdictional issues. *See In re Ivy*, 901 F.2d 7, 9 (2d Cir. 1990) (noting "real economies in transferring" for consideration of common jurisdictional issues and holding "MDL Panel has jurisdiction to transfer a case in which a jurisdictional objection is pending"). Here, "[t]ransfer . . . will permit a single judge to consider [defendants' motions to dismiss] and thus will have the salutary effect of promoting judicial economy and avoiding inconsistent adjudications" regarding the courts' jurisdiction and the scope of the Conservator's succession. *In re Fed. Election Campaign Act Litig.*, 511 F. Supp. 821, 824 (J.P.M.L. 1979); *see also In re Cooper Tire & Rubber Co. Tires Prods. Liability Litig.*, No. 1393, 2001 WL 253115, at *1 (J.P.M.L. Feb. 23, 2001) (transferring cases because "[m]otion practice . . . will overlap substantially in each action"). Transfer to consolidate and coordinate overlapping motion practice is particularly important in the circumstances presented here. To resolve the threshold issues in the Related Cases, the courts must construe HERA and the Enterprises' federal statutory charters, which together constitute a complex, comprehensive statutory scheme. *See In re Dep't of Energy Stripper Well Exemption Litig.*, 472 F. Supp. 1282 (J.P.M.L. 1979) (transferring APA cases where "[a]ll actions . . . share[d] questions of fact *and law arising under a complicated series of statutes and regulations*" (emphasis added)).

⁵ In that provision, Congress mandated that "no court may take any action to restrain or affect the exercise of powers or functions of the Agency as a conservator or a receiver." 12 U.S.C. § 4617(f).

The Related Cases can be resolved on motions to dismiss without discovery; indeed, materially identical actions have been dismissed on legal grounds. *See Perry Capital*, 70 F. Supp. 3d at 246 (granting FHFA’s and Treasury’s motions to dismiss); *see also Cont’l W. Ins. Co.*, 83 F. Supp. 3d at 840 & n.6 (dismissing on issue preclusion grounds). However, should the Related Cases survive motions to dismiss, additional common questions—including questions concerning the filing, contents, and adequacy of an administrative record—will surely arise.⁶ Transfer is warranted here to coordinate the determination of those issues and “avoid potentially conflicting obligations placed upon” the Conservator with respect to the administrative record and any other potential discovery. *See In re: Polar Bear Endangered Species Act Listing & 4(d) Rule Litig.*, 588 F. Supp. 2d 1376, 1377 (J.P.M.L. 2008) (“[Transfer] will eliminate duplicative discovery and prevent inconsistent pretrial rulings, particularly those with respect to the identification of the underlying administrative record.” (emphasis added)).

Absent transfer, different courts could issue conflicting rulings on the same, dispositive legal questions and the administrative record, encouraging forum shopping among future plaintiffs. *See Pan Am. World Airways, Inc. v. C.A.B.*, 517 F.2d 734, 741 (2d Cir. 1975) (“[F]orum shopping’ should be discouraged.”). Transfer here “provides the opportunity for the uniformity, consistency, and predictability in litigation that underlies the multidistrict litigation system,” allowing FHFA and Treasury to assert the same jurisdictional defenses in the same district court and the same circuit court of appeals, if necessary. *See Scott v. Bayer Corp.*, No. Civ. A. 03-2888, 2004 WL 63978, at *1 (E.D. La. Jan. 12, 2004). With actions already pending in four districts in four different circuits, the circumstances suggest that the various

⁶ For example, while FHFA as Conservator is under no obligation to maintain or produce an administrative record for the innumerable decisions it makes when operating the Enterprises, FHFA anticipates plaintiffs will nevertheless demand that one be produced.

shareholder plaintiffs and their counsel are distributing the litigation in an effort to evade potentially binding precedent that would foreclose their ability to challenge the Third Amendment.⁷ The letters received by the boards of directors of Fannie Mae and Freddie Mac, which threaten still more Third Amendment litigation, underscore the risk of further forum shopping and demonstrate that innumerable shareholder complaints could yet be filed in every district court in the nation. *See In re: Polar Bear Endangered Species Act*, 588 F. Supp. 2d at 1377 (“[O]ther related actions are soon likely to increase the complexity of the litigation. Accordingly, there are sufficient dynamics involved here that warrant our concern for overlapping and duplicative activity.”). It is of no moment that there are presently only four Related Cases; more are likely to be filed and the Panel has transferred as few as two or three cases. *See, e.g., In re Fresh & Process Potatoes Antitrust Litig.*, 744 F.Supp.2d 1381, 1382 (J.P.M.L. Oct. 13, 2010) (transferring two actions); *In re: BP p.l.c. Secs. Litig.*, 734 F.Supp.2d 1376, 1379 (J.P.M.L. 2010) (three pending actions); *In re Tramadol Hydrochloride Extended-Release Capsule Patent Litig.*, 672 F. Supp. 2d 1377, 1378 (J.P.M.L. 2010) (three pending actions).

The fact that the Related Cases remain in the early stages of litigation further supports transfer and coordination or consolidation pursuant to Section 1407. The first of the Related Cases was filed less than a year ago, *see Saxton* Compl. (filed May 28, 2015), and the latest, *Roberts*, was filed on February 10, 2016. No discovery has been taken in any of the actions, and neither FHFA nor Treasury has produced an administrative record. FHFA has moved, or will

⁷ The actions within the Eighth Circuit are illustrative. The plaintiff in the Southern District of Iowa case, *Continental Western Insurance Co.*, 83 F. Supp. 3d 828, did not appeal the February 3, 2015 decision to the Eighth Circuit. On May 28, 2015, a mere three months later, plaintiffs filed *Saxton* in the immediately adjacent Northern District of Iowa.

soon move, to dismiss each of the complaints, but the courts have not yet ruled. Thus, no prejudice or inconvenience will result from transfer at this time.

C. The Panel Should Transfer All Related Cases to the U.S. District Court for the District of Columbia

The Panel should transfer the Related Cases to the U.S. District Court for the District of Columbia. That district was the venue for ten previous cases concerning the validity of the Third Amendment and therefore is familiar with the factual and legal questions in the Related Cases. *See Perry Capital LLC*, 70 F. Supp. 3d 208. *Perry* granted defendants' motions to dismiss; the decision is on appeal in the D.C. Circuit with argument set for April 15, 2016.⁸

Moreover, FHFA, Treasury, and Fannie Mae all have their headquarters in Washington, D.C., and Freddie Mac is headquartered in nearby McLean, Virginia. Thus, the relevant documents and decision-makers are all located in or near the district. *See In re TJX Companies, Inc. Customer Data Sec. Breach Litig.*, 493 F. Supp. 2d 1382, 1383 (J.P.M.L. 2007). Counsel for FHFA and Treasury are also located in Washington, and transfer would eliminate the need to travel to every location where Related Cases are pending or any other locale where shareholders may file additional copycat complaints. Transfer would not inconvenience potential witnesses because they are deposed "in proximity to where they reside," *In re Cuisinart Food Processor Antitrust Litig.*, 506 F. Supp. 651, 655 (J.P.M.L. 1981) (citing Fed. R. Civ. P. 45(d)(2)), and any potential witnesses most likely reside within a 50-mile range of the U.S. District Court for the District of Columbia's subpoena powers. *See* D.D.C. Local R. Civ. P. 30.1.

⁸ Although FHFA is confident in the arguments it has presented on appeal, no one can be certain how the D.C. Circuit will rule. Thus, transfer to the District of Columbia would not predetermine the outcome of the cases.

CONCLUSION

For all the foregoing reasons, FHFA respectfully requests that the Panel coordinate or consolidate the Related Cases listed in the accompanying Schedule of Actions and transfer the cases to the U.S. District Court for the District of Columbia.

DATED: March 15, 2016

Respectfully submitted,

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**BEFORE THE UNITED STATES
JUDICIAL PANEL ON MULTIDISTRICT LITIGATION**

In re: Third Amendment Litigation, MDL No. ____

SCHEDULE OF ACTIONS

Case Captions	Court	Civil Action No.	Judge
<p><u>Plaintiffs</u> David Jacobs Gary Hindes</p> <p><u>Defendants</u> Federal National Mortgage Association Federal Home Loan Mortgage Corporation U.S. Department of the Treasury Federal Housing Finance Agency, as Conservator</p> <p><u>Movant</u> Timothy Howard</p>	D. Delaware	1:15-cv-00708	Gregory M. Sleet
<p><u>Plaintiffs</u> Christopher Roberts Thomas P. Fischer</p> <p><u>Defendants</u> Federal Housing Finance Agency, as Conservator U.S. Department of the Treasury Melvin L. Watt, as Director of FHFA Jacob J. Lew, as Secretary of the Treasury</p>	N.D. Illinois	1:16-cv-02107	Edmond E. Chang
<p><u>Plaintiffs</u> Thomas Saxton Ida Saxton Bradley Paynter</p> <p><u>Defendants</u> Federal Housing Finance Agency, as Conservator Melvin L. Watt, as Director of FHFA U.S. Department of the Treasury</p> <p><u>Amicus</u> Fairholme Funds, Inc. Investors Unite</p>	N.D. Iowa	1:15-cv-00047	Linda R. Reade

<p><u>Plaintiff</u> Arnetia Joyce Robinson</p> <p><u>Defendants</u> Federal Housing Finance Agency, as Conservator Melvin L. Watt, as Director of FHFA U.S. Department of the Treasury</p>	<p>E.D. Kentucky</p>	<p>7:15-cv-00109</p>	<p>Amul R. Thapar</p>
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EXHIBIT B

**BEFORE THE UNITED STATES
JUDICIAL PANEL ON MULTIDISTRICT LITIGATION**

IN RE: FEDERAL HOUSING FINANCE
AGENCY, *ET AL.*, PREFERRED STOCK
PURCHASE AGREEMENTS THIRD
AMENDMENT LITIGATION

MDL Docket No. 2713

NOTICE OF RELATED ACTIONS

In accordance with Rule 7.1(a) of the Rules of Procedure for the United States Judicial Panel on Multidistrict Litigation, the Federal Housing Finance Agency (“FHFA”), as Conservator for the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), respectfully notifies the Panel of the following related actions in federal district courts.

Related Actions

Edwards v. Deloitte & Touche, LLP
No. 1:16-cv-21221
Southern District of Florida
Honorable Robert N. Scola, Jr.

Edwards v. PricewaterhouseCoopers, LLP
No. 1:16-cv-21224
Southern District of Florida
Honorable Federico A. Moreno

A Schedule of Actions is filed with this notice.

In *Edwards v. Deloitte & Touche, LLP* (the “Fannie Mae Case”), the plaintiffs are shareholders of Fannie Mae. The defendant is a certified public accounting firm that audited financial statements of Fannie Mae during conservatorship. The notice removing this case to

federal court is attached as Exhibit 1 (without the exhibits thereto). The docket sheet and Complaint are filed with this notice. In *Edwards v. PricewaterhouseCoopers, LLP* (the “Freddie Mac Case”), the plaintiffs are shareholders of Freddie Mac. The defendant is a certified public accounting firm that audited financial statements of Freddie Mac during conservatorship. The notice removing this case to federal court is attached as Exhibit 2 (without the exhibits thereto). The docket sheet and Complaint are filed with this notice.

In these actions, the plaintiffs allege negligent misrepresentation and aiding and abetting breach of fiduciary duty to plaintiffs. Specifically, plaintiffs allege that the accounting firms “violated auditing and accounting standards and aided and abetted Freddie Mac’s [and Fannie Mae’s] directors and officers, FHFA and Treasury in violating their fiduciary duties.” Freddie Mac Case Compl. ¶¶ 7, 43; Fannie Mae Case Compl. ¶¶ 9, 43. FHFA previously alerted the Panel to these cases in its original motion to transfer. *See* Memorandum of Law in Support of Federal Housing Finance Agency’s Motion to Transfer for Consolidated or Coordinated Pretrial Proceedings Under 28 U.S.C. § 1407, at 3 n.1 (filed Mar. 15, 2016), ECF No. 1-1.

These actions present common facts and the same threshold legal issue as do the four related cases that formed the basis for FHFA’s original motion to transfer. All of the complaints arise out of and relate to facts that ultimately constitute a shareholder attack on the Third Amendment. Freddie Mac Case Compl. ¶ 37 (“The [Third Amendment] offered no benefits whatsoever to Freddie Mac or Plaintiffs. Rather, it was an egregiously unfair, self-dealing transaction, the benefits of which flowed entirely to Treasury . . . and indirectly to FHFA”); Fannie Mae Case Compl. ¶ 37 (same). In addition, in all of these cases, the court must resolve a threshold legal question of whether shareholders of Freddie Mac and Fannie Mae have standing to bring these actions in light of HERA’s statutory mandate that the Conservator has succeeded

to “all rights, titles, powers, and privileges” of Fannie Mae’s and Freddie Mac’s shareholders.
12 U. S.C. § 4617(b)(2)(A)(i).

Although these actions are against the auditors of Freddie Mac and Fannie Mae, they focus on the same events and the same actors as the related cases—the Third Amendment, FHFA, Treasury, Fannie Mae, and Freddie Mac. *See In re Enron Corp. Sec., Derivative & “ERISA” Litig.*, 227 F. Supp. 2d 1389, 1392 (J.P.M.L. 2002) (transferring shareholder claims against a corporation with shareholder claims against the accounting firm). To the extent these cases present unique factual issues, “[t]he transferee judge, of course, has the authority to group the pretrial proceedings on different discovery tracks according to the common factual issues or according to each defendant if necessary [such that] no party need participate in pretrial proceedings unrelated to that party's interests.” *In re Multi-Piece Rim Prods. Liab. Litig.*, 464 F. Supp. 969, 974 (J.P.M.L. 1979). As such, these cases present common factual and legal issues that warrant transfer.

Accordingly, FHFA respectfully requests that the Panel coordinate or consolidate these cases with MDL No. 2713 and transfer the cases to the U.S. District Court for the District of Columbia.

Dated: April 7, 2016

Respectfully submitted,

/s/ Howard N. Cayne

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Conservator for Freddie Mac and Fannie Mae

**BEFORE THE UNITED STATES
JUDICIAL PANEL ON MULTIDISTRICT LITIGATION**

*In re: Federal Housing Finance Agency, et al., Preferred Stock Purchase Agreements Third
Amendment Litigation, MDL Docket No. 2713*

SCHEDULE OF RELATED ACTIONS

Case Captions	Court / Division	Civil Action No.	Judge
<u>Plaintiffs</u> Master Sgt. Anthony R. Edwards, USAF Gator Capital Management, LLC Perini Capital LLC Dr. Michael Pasternak Allen Harden Jim Humphries Ed Bieryla Doreen Bieryla Jay Huber Jorge Zapata Randy Webb Kevin Jarvis Catherine M. Jennings James Miller Sylvia Miller William Milton Jr. Carl R. Roberts Louise Strang Johnna B. Watson Ray B. O'Steen Melody Sullivan Amit Choksi Joseph K. Dughman Phil Miller Jean Mac Ball Don R. Cameron II James Ferguson Gordon Inman Shaun Inman Jerry W. Sharber Jay Winer Michael Carmody Matt hill Joseph Waske Maryam Moinfar Jeffrey Langberg	S.D. Florida / Miami	1:16-cv-21221	Robert N. Scola, Jr.

<p>Barry West Wayne Olsen Rich Kivela Constance Lameier</p> <p><u>Defendant</u> <i>Deloitte & Touche, LLP</i></p>			
<p><u>Plaintiffs</u> Master Sgt. Anthony R. Edwards, USAF Master Sgt. Salvatore Capaccio, USAF Gator Capital Management, LLC Perini Capital LLC Allen Harden Ed Bieryla Doreen Bieryla Jorge Zapata Hiren Patel Louise Strang Johnna B. Watson Melody Sullivan Amit Choksi Phil Miller James Ferguson Gordon Inman Shaun Inman Michael Carmody Matt Hill Joseph Waske Maryam Moinfar Wayne Olson Rich Kivela Chris Wossilek Mathew Reed</p> <p><u>Defendant</u> <i>PricewaterhouseCoopers, LLP</i></p>	<p>S.D. Florida / Miami</p>	<p>1:16-cv-21224</p>	<p>Federico A. Moreno</p>

EXHIBIT C

IN THE CIRCUIT COURT OF THE 11TH
JUDICIAL CIRCUIT IN AND FOR
MIAMI-DADE COUNTY, FLORIDA

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Complex Business Litigation Division

MASTER SGT. ANTHONY R. EDWARDS, USAF,
RETIRED; MASTER SGT. SALVATORE
CAPACCIO, USAF; GATOR CAPITAL
MANAGEMENT, LLC; PERINI CAPITAL LLC;
ALLEN HARDEN; ED BIERYLA; DOREEN
BIERYLA; JORGE ZAPATA; HIREN PATEL;
LOUISE STRANG; JOHNNA B. WATSON;
MELODY SULLIVAN; AMIT CHOKSI; PHIL
MILLER; JAMES FERGUSON; GORDON INMAN;
SHAUN INMAN; MICHAEL CARMODY; MATT
HILL; JOSEPH WASKE; MARYAM MOINFAR;
WAYNE OLSON; RICH KIVELA; CHRIS
WOSSILEK; and MATTHEW REED

COMPLAINT

Plaintiffs,

vs.

PRICEWATERHOUSECOOPERS, LLP,

Defendant.

-----X

Plaintiffs, MASTER SGT. ANTHONY R. EDWARDS, USAF, RETIRED; and
MASTER SGT. SALVATORE CAPACCIO, USAF; GATOR CAPITAL
MANAGEMENT, LLC; PERINI CAPITAL LLC; ALLEN HARDEN; ED BIERYLA;
DOREEN BIERYLA; JORGE ZAPATA; HIREN PATEL; LOUISE STRANG;
JOHNNA B. WATSON; MELODY SULLIVAN; AMIT CHOKSI; PHIL MILLER;
JAMES FERGUSON; GORDON INMAN; SHAUN INMAN; MICHAEL CARMODY;

MATT HILL; JOSEPH WASKE; MARYAM MOINFAR; WAYNE OLSON; RICH KIVELA; CHRIS WOSSILEK; and MATTHEW REED, for their complaint against Defendant PRICEWATERHOUSECOOPERS, LLP (“PwC”), allege on information and belief as follows:

INTRODUCTION

1. As a certified public accountant licensed in the State of Florida, PwC is the “public watchdog” and owed a duty to the Plaintiff pension holders and investors to audit the financial statements of the Federal Home Loan Mortgage Corporation (“Freddie Mac”).

2. PwC’s public role as certified public accountants auditing financial statements is so important that the United States and the Florida Supreme Courts have declared them “public watchdogs,” because investors like Plaintiffs depend on PwC to do its job and only certify true financial statements:

By certifying the public reports that collectively depict a corporation’s financial status, the independent auditor assumes a public responsibility transcending any employment relationship with the client. The independent public accountant performing this special function owes ultimate allegiance to the corporation’s creditors and stockholders, as well as to investing public. This “public watchdog” function demands that the accountant maintain total independence from the client at all times and requires complete fidelity to the public trust.

KPMG Peat Marwick v. Nat’l Union Fire Ins., 765 So. 2d 36, 38 (2000) (quoting *United States v. Arthur Young & Co.*, 465 U.S. 805, 817-18 (1984)).

3. PwC thus served as the “public watchdog,” tasked with determining whether the financial statements prepared by management of Freddie Mac were misstated due to error or fraud.

4. PwC failed to do its job as a public watchdog when it failed to conduct its audits according to industry standards, and by giving its seal of approval to Freddie Mac's grossly misstated financial statements.

5. Worse yet, PwC assisted government regulators and the directors and officers of Freddie Mac to destroy the value of Freddie Mac stock held by Plaintiffs. They did this by manipulating the books of Freddie Mac to overstate its losses and understate its assets by hundreds of billions of dollars with PwC's participation and endorsement.

6. Freddie Mac's false accounting was designed to allow government regulators at the Federal Housing Finance Agency ("FHFA") and U.S. Department of the Treasury ("Treasury") and the directors and officers of Freddie Mac controlled by Treasury and FHFA to effectively nationalize Freddie Mac, a privately-owned company, and thereby expropriate billions of dollars of stock value belonging to Plaintiffs. Freddie Mac's billions of dollars in stock value was co-opted into the national treasury, providing a "success story" for the government in the wake of several unpopular, taxpayer-funded bailouts of companies in other industries during the global economic crisis in 2008.

7. PwC was aware of Treasury's control over Freddie Mac and provided Freddie Mac's directors and officers with the accounting tricks necessary to breach their fiduciary duties to the Plaintiffs. In doing so, PwC violated auditing and accounting standards and aided and abetted Freddie Mac's directors and officers, FHFA and Treasury in violating their fiduciary duties to the Plaintiffs.

8. For its part, PwC was paid hundreds of millions of dollars in fees.

9. As a direct result of PwC's negligent accounting and auditing and its role in assisting FHFA, Treasury and Freddie Mac's directors and officers in violating their fiduciary duties, Plaintiffs suffered losses of hundreds of millions of dollars.

10. By this action, Plaintiffs seek to hold PwC accountable for these losses.

PARTIES, JURISDICTION AND VENUE

11. All the Plaintiffs, further described below, were shareholders of Freddie Mac during all times relevant to this action.

12. Defendant PwC is a limited liability partnership and a citizen of Florida because PwC partners reside in Florida. PwC has offices located in Florida. PwC's audit reports on Freddie Mac's financial statements were reviewed by and relied upon by Plaintiffs in Florida.

13. Jurisdiction is proper in the Circuit Court because Plaintiffs seek damages in excess of \$15,000.

14. Venue is appropriate in Miami-Dade County because Defendant PwC transacts its customary business in Miami-Dade County. PwC maintains an office in Miami-Dade County at 333 SE 2nd Avenue, Miami, Florida, 33131, certain of its partners reside and work in Miami-Dade County, and it has representatives and agents in Miami-Dade County. PwC caused harm in Miami-Dade County through its negligent misrepresentations and tortious conduct.

15. PwC is subject to personal jurisdiction in Florida pursuant to section 48.193, Florida Statutes, because, as set forth more fully herein, it has conducted substantial and not isolated business and activities within Florida, and it has itself or through an agent, including but not limited to its partners, operated, conducted, engaged

in or carried on business in this State that gave rise to this cause of action, committed a tortious act in this State, or caused injury to persons or property in Florida resulting from its activities within and outside of this State in connection with services provided in Florida or the solicitation of business in this State.

FACTS

16. Freddie Mac is a stockholder-owned corporation organized under the laws of Delaware. Freddie Mac purchases mortgages that private banks originate and bundles mortgages into mortgage-related securities to be sold to investors. Through the creation of this secondary mortgage market, Freddie Mac increases liquidity for private banks, which enables them to make additional loans to individuals for home purchases.

Freddie Mac's History of Profitability

17. In the course of its operation as a privately-owned, for-profit entity, Freddie Mac issued both common stock and several series of preferred stock to Plaintiffs ("Freddie Mac Stock"). Freddie Mac Stock was considered to be a safe investment.

18. Before 2007, Freddie Mac was consistently and tremendously profitable. In fact, prior to 2008, Freddie Mac had not experienced an annual loss since 1985. Freddie Mac regularly declared and paid dividends on Freddie Mac Stock to its shareholders.

The Global Economic Crisis

19. Beginning in 2007, a global financial crisis and nationwide declines in the housing market caused Freddie Mac to suffer losses. Despite these losses, Freddie

Mac remained adequately capitalized and, its chief regulator, Office of Federal Housing Enterprise Oversight (“OFHEO”) director James Lockhart, declared Freddie Mac safe and sound and well-capitalized as late as July 2008. Mr. Lockhart was, in fact, correct.

20. Nonetheless, in July 2008, Congress enacted the Housing and Economic Recovery Act (“HERA”), which among other things established FHFA to replace OFHEO as Freddie Mac’s regulator and granted Treasury temporary authority to assist Freddie Mac through the purchase of securities. HERA was passed not because Freddie Mac was deemed to be insolvent or operating unsafely at that time, but rather to provide the struggling mortgage and financial markets with added confidence.

21. In 2008 Freddie Mac was adequately capitalized—indeed, Freddie Mac’s assets exceeded their liabilities by more than \$27 billion, Freddie Mac had more than \$400 billion of unencumbered assets and was operating in a safe and sound fashion. Nonetheless, on September 6, 2008, FHFA placed Freddie Mac into conservatorship. In a press release issued the next day, FHFA said that, “as the conservator, FHFA will assume the power of the Board and management.” According to FHFA’s press release, the conservatorship was “a statutory process designed to stabilize a troubled institution *with the objective of returning the entities to normal business operations*. FHFA will act as the conservator to operate the Enterprises until they are stabilized.” At the time, FHFA also stated that, “the common and all preferred stocks [of Freddie Mac] will continue to remain outstanding.”

22. The very next day, FHFA, acting in its purported capacity as conservator for Freddie Mac, and Treasury entered into a senior preferred stock purchase agreement (the “PSPA”), pursuant to which Freddie Mac created and issued

a new class of stock, the Senior Preferred Stock. Treasury purchased one million shares of Freddie Mac's Senior Preferred Stock in exchange for a funding commitment that allowed Freddie Mac to draw up to \$100 billion from Treasury (this cap was later increased in size by subsequent amendments to the PSPA). Absent the express consent of Treasury and FHFA, Freddie Mac generally cannot redeem the Senior Preferred Stock. Under the PSPA, Freddie Mac provided Treasury with warrants to purchase 79.9% of its common stock (for virtually no consideration), respectively, and entered into covenants barring Freddie Mac from, among other things, making any changes to their capital structures, paying any dividends (other than to Treasury), or seeking to terminate FHFA's conservatorship without Treasury's approval (so long as the Senior Preferred Stock remained outstanding).

23. FHFA emphasized that the conservatorship was temporary: "Upon the Director's determination that the Conservator's plan to restore [Freddie Mac] to a safe and solvent condition has been completed successfully, the Director will issue an order terminating the conservatorship." FHFA Fact Sheet, Questions and Answers on Conservatorship 2. Upon publicly announcing the conservatorship, FHFA committed to operating Freddie Mac as a fiduciary until it stabilized. FHFA acknowledged that Freddie Mac's stock remains outstanding during conservatorship and "continue[s] to trade," FHFA Fact Sheet, Questions and Answers on Conservatorship 3, and Freddie Mac's stockholders "continue to retain all rights in the stock's financial worth." *Id.*

24. Freddie Mac's board acquiesced to conservatorship based on the understanding that FHFA, like any other conservator, would operate as a fiduciary with the goal of preserving and conserving their assets and managing them in a safe and

solvent manner. And in publicly announcing the conservatorships, FHFA confirmed that Freddie Mac's shareholders continued to hold an economic interest that would have value, particularly as Freddie Mac generates profits in the future.

25. In approving the exercise of Treasury's temporary authority under HERA, Treasury Secretary Paulson determined (1) "[u]nder conservatorship, Fannie Mae and Freddie Mac will continue to operate as going concerns"; (2) "Fannie Mae and Freddie Mac may emerge from conservatorship to resume independent operations"; and (3) "[c]onservatorship preserves the status and claims of the preferred and common shareholders." Action Memorandum for Secretary Paulson (Sept. 7, 2008).

26. Under the initial PSPA, Treasury committed to make quarterly payments to Freddie Mac to ensure that Freddie Mac would maintain at least a zero net worth. Each quarter, FHFA looked to Freddie Mac's financial statements to determine if its liabilities exceeded its assets. If so, FHFA would request that Treasury draw down Freddie Mac's funding commitment and provide funds equal to the net worth deficit. This arrangement whereby Treasury made quarterly payments to Freddie Mac essentially forced Freddie Mac to "borrow" money from Treasury on such punitive terms that Freddie Mac could never possibly repay this debt.

27. PwC assisted FHFA and Freddie Mac to materially misstate Freddie Mac's financial statements, which caused more than just a temporary incorrect snapshot of the financial condition of Freddie Mac. PwC's falsely certified Freddie Mac's materially misstated financial statements caused Freddie Mac to have to borrow \$71.3 billion from Treasury in the form of non-repayable 10% Senior Preferred Stock to patch

up the purported hole in Freddie Mac's balance sheet. This supposed hole certified by PwC was created with non-cash accounting assumptions that were grossly inconsistent with how PwC treated other audit clients and was a substantial departure from the reality of Freddie Mac's business. The non-repayable 10% Senior Preferred Stock is senior to Plaintiff's class of stock in the capital structure of Freddie Mac, thereby causing harm to Plaintiffs' Freddie Mac Stock.

28. Soon after the commencement of the conservatorship, FHFA, acting in its purported capacity as conservator of Freddie Mac, declared that Freddie Mac had suffered substantial non-cash accounting losses, which included write-downs of the value of tax assets and loss reserves. These "losses" were on the heels of Freddie Mac being *highly* profitable and a safe investment for years. This declaration by FHFA was not based in fact but rather based on a knowingly incorrect and improper valuation of Freddie Mac's deferred tax assets—assets that had value, but FHFA, with PwC's assistance and approval, concluded had no value. PwC falsely certified these non-cash accounting losses for the audit years 2008-2012.

29. Freddie Mac returned to profitability in 2012—even under the accounting standards PwC improperly applied. In that year, Freddie Mac earned \$11 billion in profits. In fact, in 2012 it became clear that the losses FHFA (and PwC) projected Freddie Mac would have back in 2008 were overstated by more than \$50 billion. Freddie Mac became even more profitable in 2013 earning \$48.7 billion and remained profitable in 2014 earning more than \$7.7 billion.

30. The return of Freddie Mac to profitability in 2012 led to a substantial increase in the trading prices of Freddie Mac Stock. With Freddie Mac having returned

to profitability, Plaintiffs reasonably believed that they would in time recover their investment. They also had a reasonable expectation that Freddie Mac would eventually be healthy enough to redeem Treasury's Senior Preferred Stock, exit conservatorship, and be "return[ed] to normal business operations," as FHFA's director had vowed when the conservatorships were established.

The Improper "Net Worth Sweep"

31. These reasonable expectations of Freddie Mac's stockholders were soon dashed, however, due to the breaches of fiduciary duties by FHFA, Treasury and Freddie Mac's directors and officers and PwC's assistance in this self-dealing. To capitalize on Freddie Mac's strong recovery and ensure that the value of Plaintiffs' Freddie Mac stock would be wiped out, Treasury and FHFA decided to amend the PSPA so that Treasury had the right to take the entire positive net worth of Freddie Mac each quarter in perpetuity (the "Net Worth Sweep"). No consideration was paid to Freddie Mac or their stockholders in exchange for the Net Worth Sweep.

32. The Net Worth Sweep constituted a massive expropriation of value from the holders of Freddie Mac Stock, including Plaintiffs. Freddie Mac was on track to repay Treasury and the taxpayers every dollar Freddie Mac had borrowed with interest, but that was not enough for FHFA and Treasury. Rather, FHFA and Treasury chose to seize the totality of Freddie Mac's profits and net worth in perpetuity.

33. The Net Worth Sweep has already resulted in historic payments to Treasury. Following its announced September 2015 "dividends" to Treasury

pursuant to the Net Worth Sweep, Freddie Mac paid a total of *\$96.5 billion* to Treasury—more than \$20 billion than the \$71.3 billion it was forced to borrow.

34. However, even these enormous payments did not reduce Freddie Mac's obligation to Treasury, since these payments cannot be used to offset prior Treasury draws under the terms of the PSPA and amendments. Accordingly, Treasury still maintains a liquidation preference of \$72.3 billion with respect to Freddie Mac, ensuring Treasury gets paid that amount first, before Plaintiffs are paid, in the event of any liquidation event. In other words, under the terms of the Net Worth Sweep, Freddie Mac has no way to ever pay down these liquidation preferences, no matter how much cash it contributes to Treasury's coffers.

35. By reason of its purported conservatorship of Freddie Mac and because of its ability to control the business and corporate affairs of Freddie Mac, FHFA owes Freddie Mac and Plaintiffs fiduciary obligations of due care and loyalty, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner for the benefit of Plaintiffs. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and Plaintiffs. Because of its position of control and authority as the purported conservator of Freddie Mac, FHFA was able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein.

36. Treasury exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred

Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac and to Plaintiffs. In addition, because of Treasury's de facto position of control and authority over Freddie Mac, it stood on both sides of the decision to engage in the Net Worth Sweep and it was able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein.

37. The Net Worth Sweep offered no benefits whatsoever to Freddie Mac or Plaintiffs. Rather, it was an egregiously unfair, self-dealing transaction, the benefits of which flowed entirely to Treasury as Freddie Mac's controlling stockholder, and indirectly to FHFA through its status as a sister agency of the federal government.

38. The Net Worth Sweep was contrary to the best interests of Freddie Mac and their stockholders. Indeed, it was specifically intended to ensure that Freddie Mac's stockholders (other than Treasury) could never again recover any value from their investments, and to ensure that Freddie Mac could not function as a private enterprise and would have to be wound down. By preventing Freddie Mac from rebuilding capital or returning to the market as Treasury stated in its press release, the purpose and effects of the Net Worth Sweep ran directly contrary to FHFA's purported statutory mission to "put the regulated entity in a sound and solvent condition," "carry on the business of the regulated entity," and "preserve and conserve the assets and

property of the regulated entity.” 12 U.S.C. § 4617(b)(2)(D). As such, the Net Worth Sweep was a violation of law and fiduciary duty.

39. Further, because Treasury, as controlling stockholder of Freddie Mac, stood on both sides of the transaction, the Net Worth Sweep was self-dealing in nature and the result of a manifest conflict of interest.

40. The Net Worth Sweep constituted an unfair, self-dealing transaction with Freddie Mac’s controlling stockholder. Treasury, as controlling stockholder of Freddie Mac, stood on both sides of the decision to implement the Net Worth Sweep, to the benefit of Treasury and the detriment of Freddie Mac and Plaintiffs. The Net Worth Sweep effected an improper transfer—an expropriation—of economic value from Plaintiffs to Treasury. Indeed, Freddie Mac received *no consideration whatsoever* in exchange for the Net Worth Sweep. Moreover, as an agency of the federal government, FHFA was interested in and benefited from the Net Worth Sweep, and therefore had a conflict of interest.

41. Through the Net Worth Sweep, FHFA and Treasury violated Delaware law and applicable federal law by breaching their fiduciary duties to Freddie Mac and Plaintiffs. The Net Worth Sweep transaction was not entirely fair to Freddie Mac, as it was neither the product of a fair process nor did it reflect a fair price. Indeed, the Net Worth Sweep, which effectively delivers all of Freddie Mac’s profits and net worth to Treasury in perpetuity, was granted to benefit Treasury, with no benefit to Plaintiffs.

42. The Net Worth Sweep was neither entirely nor intrinsically fair to Freddie Mac, nor did it further any valid business purpose of Freddie Mac, nor did it

reflect a good faith business judgment as to what was in the best interests of Freddie Mac.

43. The Net Worth Sweep and breaches of fiduciary duties by FHFA, Treasury and Freddie Mac's directors and officers would not have been possible without the assistance of PwC.

PwC's False and Negligent Audits

44. At all relevant times, PwC served as Freddie Mac's external, independent auditor and was responsible for ensuring that Freddie Mac's financial statements were in compliance with the standard of care for accountants performing audits in Florida, including generally accepted auditing standards ("GAAS"), as such standards were issued and adopted by the Public Company Accounting Oversight Board for public companies (collectively, the "Auditing Standards") and generally accepted accounting principles ("GAAP"). PwC also had a duty to the investing public to conduct those audits in accordance with the Auditing Standards. Under the Auditing Standards, PwC was obligated to (a) plan and perform the audit to obtain reasonable assurance of detecting errors, fraud, or illegality that would have a material impact on the financial statements, and (b) obtain reasonable assurance that effective internal controls over financial reporting were maintained in all material respects, which required PwC to obtain an understanding of internal controls over financial reporting, assess the risk that a material weakness existed, and test and evaluate the design and effectiveness of internal controls over financial reporting. PwC violated the Auditing Standards and failed to be independent in auditing Freddie Mac.

45. PwC was paid more than \$330 million for its audit work during the years 2007-2014.

46. At the conclusion of each audit, PwC reported that it had performed its audit work in accordance with the Auditing Standards and that Freddie Mac's financial statements were fairly stated in all material respects in accordance with GAAP (the "PwC Audit Opinions"). For at the audit years 2008-2013, PwC's Audit Opinions were false because Freddie Mac's financial statements were not fairly stated in all material respects in accordance with GAAP and PwC had not conducted its audits in accordance with the Auditing Standards.

47. PwC's audits of Freddie Mac's financial statements were negligently performed for the audit years 2008-2013. If PwC had performed its audit work properly, it would not have issued its materially false audit opinions. In fact, if PwC had performed its audit work in accordance with the Auditing Standards, it would either not have issued any audit opinions at all or it would have issued adverse audit opinions.

48. One of the most basic tenets of independent auditors is that they are independent. In performing its audits of Freddie Mac, PwC violated the Auditing Standards by not acting independently.

49. In performing its audits of Freddie Mac, PwC was required to follow the Auditing Standards and GAAP. There are ten GAAS standards applicable to PwC's audit of Freddie Mac, all of which PwC violated, including the following:

- The auditor must adequately plan the work and must properly supervise any assistants.

- The auditor must obtain a sufficient understanding of the entity being audited and its environment, including its internal controls, to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures.
- The auditor must obtain sufficient competent evidential matter to afford a reasonable basis for an opinion regarding the financial statements under audit. GAAS and Auditing Standards also require the auditor to understand (i) the audit client, customer relationships, industry conditions, economic conditions, regulatory environment, relevant accounting pronouncements, and other external factors; and (ii) the internal controls that the audit client has in place to determine whether they are designed properly and operate effectively.
- To comply with GAAS, the auditor needs to identify risks of material misstatement at appropriate levels of detail, and design appropriate auditing procedures in light of such risks. Due professional care requires the auditor to exercise professional skepticism – *i.e.*, a questioning mind and a critical assessment of audit evidence based on the assumption that management is neither dishonest nor honest beyond doubt.
- Under GAAS and Auditing Standard requirements, which audit procedures the auditor selects generally depend on the risk of material misstatement. The higher the auditor's assessment of risk, the more reliable and relevant the audit evidence obtained from tests of the effectiveness of internal controls and substantive audit procedures must be. The auditor must plan and perform the audit to obtain sufficient competent evidential matter to afford a reasonable basis for an opinion regarding the financial statements and to reduce to a low level the risk that the auditor will fail to detect

a material misstatement. If the auditor is unable to obtain sufficient competent evidential matter, the auditor should express a qualified opinion or a disclaimer of opinion.

50. PwC violated all of these auditing standards in its audits of Freddie Mac.

PwC Falsely Certified Freddie Mac's Manipulation of \$60 Billion of Deferred Tax Assets

51. On February 27, 2008, PwC issued the following opinion on the Freddie Mac 2007 financial statements ("Freddie Mac 2007 Financial Statements"):

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows, and of stockholders' equity present fairly, in all material respects, the financial position of Freddie Mac, a stockholder-owned government sponsored enterprise and its subsidiaries (the "company") at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

With PwC's consent, this opinion was included in Freddie Mac's public 10-K filing and distributed to the stockholders of Freddie Mac, including Plaintiffs.

52. The Freddie Mac 2007 Financial Statements included as assets of Freddie Mac "Deferred Tax Assets" of approximately \$10.3 billion.

53. PwC determined that these Deferred Tax Assets were real assets of Freddie Mac that had a value of approximately \$10.3 billion.

54. In reaching that conclusion, PwC applied Statement of Financial Accounting Standards No. 109 ("SFAS 109") and agreed with the management of Freddie Mac that "it [was] more likely than not that all of these assets will be realized."

55. SFAS 109 requires that a deferred tax asset be reduced by an allowance if, based on the weight of available positive and negative evidence, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized.

56. In February 2008, PwC correctly concluded that it was more likely than not that Freddie Mac's \$10.3 billion Deferred Tax Assets would be realized as Freddie Mac earned profits in the future and so gave its stamp of approval to Freddie Mac's accounting for the Deferred Tax Assets. Freddie Mac had thirty years of historical profitability, so it would have been unreasonable for PwC to reach any other conclusion.

57. PwC's conclusion also was appropriate and reasonable even though the housing market was already in crisis by February 2008 because Freddie Mac, unlike the Wall Street banks, was well-capitalized and had billions of dollars of income and liquidity, and so was well-positioned to ride out the housing crisis. This is because Freddie Mac is not a mortgage lender, but rather a mortgage insurer. Moreover, it was not exposed to the bad loans originated by risky mortgage companies and packaged into securities by Wall Street banks because Freddie Mac had the contractual right to require those companies and banks to repurchase those bad loans. In fact, Freddie Mac's structure and risk management made it ideally suited to weather even the most severe housing downturn.

58. By the end of 2008, Freddie Mac's Deferred Tax Assets grew to approximately \$38 billion. This meant that Freddie Mac's future income tax burden would be reduced by \$38 billion once it started reporting profits again.

59. Although in February 2008 PwC had just concluded that Freddie Mac's Deferred Tax Assets had full value, PwC abruptly changed its position in the fall of 2008. This was not due to any change in Freddie Mac's business. Rather, it was all part of a plan put in place by federal regulators to use the balance sheet of Freddie Mac—not for the benefit of Plaintiffs—but rather to bail out Wall Street banks who were facing

crippling losses and bankruptcy due to the bad mortgages that they had packaged and sold as securities. Federal regulators at FHFA and Treasury secretly decided that they would not allow Freddie Mac to ever operate again as a profit-making company for the benefit of its stockholders. This was made clear in a recently disclosed December 2010 Treasury memo to then-Secretary of the Treasury Timothy Geithner that stated: “Makes clear the Administration’s commitment to ensure existing common equity holders will not have access to any positive earnings from the GSEs [i.e., Fannie Mae and Freddie Mac] in the future.” Unlike the stockholders of Goldman Sachs, Bank of America, Morgan Stanley and Treasury’s other favored financial institutions, the stockholders of Freddie Mac were to be secretly punished by the government.

60. In order to require Freddie Mac to draw funds from Treasury, federal regulators needed Freddie Mac to manipulate its financial statements to report massive losses. In fact, within 23 days after imposing a conservatorship on Freddie Mac on September 7, 2008, FHFA forced Freddie Mac management to write off \$14.3 billion of its Tax Deferred Assets. In other words, after controlling Freddie Mac for less than a month, FHFA required Freddie Mac management to ignore Freddie Mac’s thirty years of profitability and instead conclude that Freddie Mac would never, ever be profitable again. Freddie Mac’s management—hand-picked by FHFA—complied.

61. Beginning in the third quarter of 2008—when FHFA took control of Freddie Mac as conservator—wildly pessimistic and unrealistic assumptions about Freddie Mac’s future financial prospects were made. Those assumptions triggered adjustments to Freddie Mac’s balance sheet, most notably write-downs of significant tax assets and the establishment of large loan loss reserves, which caused Freddie Mac to

report non-cash losses. Although reflecting nothing more than faulty accounting assumptions about Freddie Mac's future prospects and having no effect on the cash flow that Freddie Mac was generating, these non-cash losses temporarily decreased Freddie Mac's reported net worth by hundreds of billions of dollars. For example, in the first year and a half after imposition of the conservatorship, Freddie Mac reported more than \$70 billion in losses, but only \$11.7 billion of that amount reflected actual credit-related losses.

62. Shortly after FHFA took control of Freddie Mac, FHFA, Freddie Mac and PwC made the absurd assumption that Freddie Mac would never again generate taxable income and that their deferred tax assets were therefore worthless. This incomprehensibly flawed accounting treatment dramatically reduced Freddie Mac's reported net worth.

63. FHFA and Freddie Mac created tens of billions of dollars of phony losses at Freddie Mac in 2009 by violating GAAP in assuming that tens of billions of dollars of mortgage-backed securities held by Freddie Mac were worthless. This assumption violated GAAP because the impairments to those assets were temporary, as PwC certified prior to the conservatorship. PwC violated the Auditing Standards by reversing its prior position and certifying this improper accounting treatment by Freddie Mac. In fact, in Spring 2009, the Financial Accounting Standards Board ("FASB") eliminated mark-to-market accounting for mortgage-backed securities to avoid exactly the kind of write-offs that PwC certified. Nonetheless, PwC ignored this guidance from FASB and violated the Auditing Standards. In reality, Freddie Mac's annual net operating revenue exceeded its operating expenses in every year during conservatorship, and Freddie Mac's actual losses

would never have caused Freddie Mac to have a negative net worth, but for the excessively pessimistic assumptions and accounting treatments of deferred tax assets and loan loss reserves. Although Freddie Mac's management was complicit with FHFA, Freddie Mac and the regulators needed PwC's blessing to execute their plan. Without PwC's audit opinion, FHFA and Freddie Mac management would not be able to carry out their plan.

64. PwC obliged by giving its stamp of approval by issuing an audit opinion on March 11, 2009 ("2009 Audit Opinion"). By its opinion, PwC falsely certified Freddie Mac's write-off of approximately \$22.4 billion in Deferred Tax Assets in violation of GAAP and the Auditing Standards. PwC continued to falsely certify Freddie Mac's continued write-off of Deferred Tax Assets in violation of GAAP and the Auditing Standards by issuing audit opinions on February 24, 2010 ("2010 Audit Opinion"), February 24, 2011 ("2011 Audit Opinion"), March 9, 2012 ("2012 Audit Opinion") and February 28, 2013 ("2013 Audit Opinion"). The 2010 Audit Opinion certified the write-off of \$2.7 billion Tax Deferred Assets, while the 2011 Audit Opinion certified the write-off of \$8.3 billion of Tax Deferred Assets.

65. By late 2011, it was clear that Freddie Mac would soon be returning to profitability—even under the punitive and incorrect accounting being applied by Freddie Mac and certified by PwC. Freddie Mac, FHFA, Treasury and PwC knew that they would no longer be able to pretend that Freddie Mac's Deferred Tax Assets—which had now grown to \$35 billion—were worthless. This was clear because the housing and mortgage markets had recovered so well that Freddie Mac was returning to its historical norm of generating massive profits and cash income.

66. Freddie Mac's return to profitability posed a significant problem for government regulators because it meant that Freddie Mac would be able to escape the punitive conservatorship and Plaintiffs would recover the value of their investments. The government regulators did not wish to allow this and so needed a new plan to appropriate the value of Freddie Mac Stock.

67. Although the government regulators and Freddie Mac management knew that Freddie Mac would be returning to profitability, Freddie Mac management continued to pretend that Freddie Mac would never again be profitable and so wrote off as worthless \$35 billion of Deferred Tax Assets. PwC certified this false accounting in its 2012 Audit Opinion in gross violation of GAAP and the Auditing Standards, including SFAS 109 and AU 342. PwC knew or should have known that there was no basis in GAAP for Freddie Mac to continue to write off the value of its Deferred Tax Assets because it was more likely than not that Freddie Mac would again be profitable and so able to reap the value of those Deferred Tax Assets.

68. Moreover, PwC's 2012 Audit Opinion was a clean opinion that omitted material information that should have been disclosed under the Auditing Standards. In particular, PwC knew that Treasury improperly exercised control over Freddie Mac and was operating Freddie Mac for the sole benefit of Treasury to the detriment of the Freddie Mac stockholders. PwC failed to disclose this material information in its Audit Opinions in violation of the Auditing Standards, including AU 508.

69. Six months later in August 2012, the government regulators effected their scheme to appropriate the value of Freddie Mac Stock by forcing Freddie Mac to enter into the Net Worth Sweep.

70. With all Freddie Mac's profits and the value of Freddie Mac Stock now supposedly flowing to Treasury, government regulators and Freddie Mac management no longer needed to pretend that Freddie Mac would never be profitable again. However, it would have looked particularly suspicious for Freddie Mac to report and PwC to certify the \$35 billion of Deferred Tax Assets as good assets just a few months after reporting these assets as worthless. The pretense of the worthlessness of these assets continued through April 4, 2013 when Freddie Mac reported and PwC certified in its 2013 Audit Opinion that Freddie Mac would never recover the value of this \$35 billion of assets.

71. PwC eventually had to reverse its false accounting assumptions because the assumptions were not grounded in reality. The reversal of these erroneous accounting assumptions caused windfall profits to flow to Freddie Mac. However, PwC allowed Freddie Mac to "cherry-pick" the timing of the reversals to occur at such a time that the Net Worth Sweep was in place thus allowing for all of the windfall profits to flow to Treasury and not to Freddie Mac's stockholders, including Plaintiffs. Prior to 2012, PwC knew or should have known that the accounting related write-downs and excessive loss reserving that previously occurred were grossly incorrect for a number of reasons, including the fact on an *operating* basis Freddie Mac not only maintained the \$37.1 billion of capital held on June 30, 2008 but Freddie Mac actually increased it.

72. Freddie Mac and PwC waited until the first quarter of 2013 to drop the pretense that Freddie Mac would never again be profitable. On June 9, 2013, Freddie Mac reported that the Deferred Tax Assets were, in fact, worth about \$35 billion. With the Net Worth Sweep now in place, Treasury swept this \$35 billion of Freddie Mac's net worth into the U.S. Treasury. The timing of this \$35 billion windfall could not have been

more convenient for Treasury because it was facing budget shortfalls due to the standoff with Congress over the debt ceiling. Moreover, the Net Worth Sweep had become a major revenue source for the United States Government at the expense of Plaintiffs.

73. In certifying Freddie Mac's false accounting for Freddie Mac's Deferred Tax Assets in its 2009-2013 Audit Opinions, PwC violated GAAP and the Auditing Standards, including AU 342.

74. PwC also violated the Auditing Standards, including AU 508, by failing to disclose Treasury's control over Freddie Mac and the fact that Treasury, Freddie Mac's board and FHFA were operating Freddie Mac for the sole benefit of Treasury to the detriment of Plaintiffs.

PwC Certified False and Manipulated Loan Loss Reserves

75. In late 2008, government regulators and Freddie Mac management used other accounting gimmicks to falsely overstate the losses of Freddie Mac and thereby understate the net worth of Freddie Mac and thereby force Freddie Mac to borrow funds from Treasury.

76. In particular, in the fourth quarter of 2008 Freddie Mac management abruptly increased its loan loss reserve from \$5 billion to \$16.4 billion. This new supersized loan loss reserve reported by Freddie Mac's new management was not justified by GAAP and was instead intended to overstate losses at Freddie Mac. In fact, just a few months before Freddie Mac reported this startling \$16.4 billion figure, PwC had certified \$2.8 billion as an accurate estimate of what Freddie Mac stood to lose on its loan portfolio.

77. This increase in loan loss reserves made no sense because Freddie Mac—unlike other financial institutions in the mortgage market—had a built in 20% buffer against losses due to a downturn in the housing market. All loans insured by Freddie Mac were required to have an 80% loan-to-value ratio. At a minimum, this 20% equity requirement meant at least 3% cash down with the remaining amount to be covered by private mortgage insurance (PMI). In other words, Freddie Mac would lose money on mortgages only if less than 80% of the value of the mortgage was recovered.

78. In light of this 20% buffer, PwC's certification of the \$2.8 billion loan loss reserves was entirely reasonable—even for a housing market under severe stress. In fact, the \$2.8 billion loss certified by PwC turned out to be larger than the credit losses Freddie Mac actually incurred.

79. Freddie Mac's \$16.4 billion loan loss reserve was absurdly high and made no sense even if one assumed the housing market was entering the most severe downturn since the Great Depression. PwC's improper certification of this massive loan loss reserve not only violated GAAP and the Auditing Standards—it was significantly disproportionate to the loan loss reserves PwC had certified for other audit clients who were exposed to far greater risk in the mortgage market. In fact, PwC certified loan loss reserves at Freddie Mac that were five times the amount of actual credit losses, while financial institutions facing greater credit losses maintained loan loss reserves more or less equal to their credit losses.

80. Nonetheless, in its 2008 Audit Opinion, PwC falsely certified the \$16.4 billion loan loss reserve. PwC continued to certify loan loss reserves that failed to

comply with GAAP in its audit opinions for the years 2009-2013. By doing so, PwC violated the Auditing Standards, including AU 342.

81. Freddie Mac incurred substantial accounting losses as a result of the loan loss provisions. These provisions, which PwC classified as immediate expenses of Freddie Mac, created tens of billions of dollars of losses. Moreover, the provisions—and the resulting accounting losses—were completely unnecessary, as the potential loan losses never materialized into actual losses.

PwC Falsely Certified Freddie Mac's Repurchase Rights

82. Freddie Mac had the ultimate protection against bad mortgages—it had the right to require the mortgage companies that originated bad loans and the Wall Street banks that packaged them into securities to repurchase those bad loans from Freddie Mac. This insured that Freddie Mac would not suffer losses on bad loans.

83. These repurchase or “put back” rights were worth billions of dollars to Freddie Mac and so presented a potential problem for the government regulators and Freddie Mac management intent on overstating Freddie Mac losses. However, their solution was simple—they would ignore them.

84. By ignoring the value of Freddie Mac's put back rights, Freddie Mac understated its assets and its net worth by billions of dollars for the years 2008-2013.

85. In its audit opinions for 2008-2013, PwC certified Freddie Mac's false treatment of Freddie Mac's put back rights in violation of GAAP and Auditing Standards.

PwC Negligently Certified Freddie Mac's Improper FAS 133 Treatment

86. PwC further assisted FHFA and Freddie Mac in overstating losses by certifying Freddie Mac's improper disregard of Financial Accounting Standard 133 ("FAS 133").

87. FAS 133 required Freddie Mac to account accurately for the market value of its mortgage-backed securities and interest rate hedges on those securities. Freddie Mac disregarded FAS 133 and instead recognized massive mark-to-market losses on its interest rate hedges while ignoring the offsetting gains in its portfolio of securities.

88. Freddie Mac's disregard of FAS 133 led its financial statements to be materially misstated, and PwC was negligent in certifying this violation of GAAP.

PwC Failed to Perform Substantive Audit Procedures as Required by the Auditing Standards

89. Beginning with its 2008 Audit Opinion, PwC issued opinions on the internal control environment at Freddie Mac that identified material weaknesses. Under the Auditing Standards, this meant that PwC could not rely on the controls it identified as having a material weakness.

90. PwC was thus required under the Auditing Standards to perform more substantive testing in order to issue its audit opinions. Had PwC performed such testing, it would not have issued the materially false audit opinions it issued.

PwC Failed to Require Freddie Mac to Restate its Financial Statements

91. PwC was aware at least as early as its audit for the year 2012 that Freddie Mac's prior financial statements were materially misstated.

92. In light of Freddie Mac's materially false financial statements, PwC had two options under the Auditing Standards—either require Freddie Mac to restate those

financial statements or withdraw its prior audit opinions. PwC did neither and so violated the Auditing Standards.

93. Had PwC complied with the Auditing Standards by either requiring restatement or withdrawing its prior audit opinions, Freddie Mac would have been able to exit the conservatorship and Plaintiffs would not have suffered their losses.

94. By manipulating its accounting for Deferred Tax Assets, loan loss reserves, and put back rights, government regulators and Freddie Mac management were able to report more than \$75 billion of phony losses at Freddie Mac. In reality, Freddie Mac had net cash income in every quarter from 2008 to the present. Even in the depth of the financial crisis in late 2008, Freddie Mac would have reported more than \$13 billion in net cash income had government regulators and Freddie Mac management not manipulated and PwC not certified Freddie Mac's balance sheet.

95. Freddie Mac's continued accounting manipulations through 2013—made possible only by PwC's annual certifications—constituted breaches of fiduciary duty by Freddie Mac's officers and directors, FHFA and Treasury and led directly to the loss of the value of Freddie Mac Stock, including the stock held by Plaintiffs.

96. Had PwC performed its public duty by either not issuing its false audit opinions for the audit years 2008-2013 or by issuing audit opinions with the disclosures required by the Auditing Standards, Freddie Mac would have been able to exit the conservatorship as required by law and Plaintiffs would not have suffered their losses.

97. Plaintiffs did not learn, and could not have learned, with the exercise of due diligence, of PwC's negligence in conducting its audits of Freddie Mac or the misrepresentations and omissions in the PwC Audit Opinions or of the substantial

assistance PwC provided to Freddie Mac's directors and officers, FHFA and Treasury in their breach of fiduciary duties until PwC's substantial assistance was revealed in litigation in the United States Court of Federal Claims in or around June 2015.

COUNT 1
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Master Sgt. Anthony R. Edwards, USAF, Retired)

98. Master Sgt. Anthony R. Edwards, USAF, Retired, incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

99. Master Sgt. Anthony R. Edwards, USAF, Retired, is sui juris and a resident of Seminole County, Florida.

100. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Master Sgt. Anthony R. Edwards, USAF, Retired, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

101. PwC owed a duty to the stockholders of Freddie Mac, including Master Sgt. Anthony R. Edwards, USAF, Retired, and knew that its work was being relied on by the stockholders of Freddie Mac, including Master Sgt. Anthony R. Edwards, USAF,

Retired. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Master Sgt. Anthony R. Edwards, USAF, Retired, for the purposes of inducing Master Sgt. Anthony R. Edwards, USAF, Retired to purchase and hold Freddie Mac Stock.

102. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Master Sgt. Anthony R. Edwards, USAF, Retired.

103. Master Sgt. Anthony R. Edwards, USAF, Retired, justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

104. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Master Sgt. Anthony R. Edwards, USAF, Retired, and relied upon by Freddie Mac stockholders, including Master Sgt. Anthony R. Edwards, USAF, Retired.

105. PwC owed a duty to Master Sgt. Anthony R. Edwards, USAF, Retired, to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

106. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors'

Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

107. PwC further breached its duty to Master Sgt. Anthony R. Edwards, USAF, Retired, by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

108. Master Sgt. Anthony R. Edwards, USAF, Retired, justifiably relied upon PwC's negligent audit reports to his detriment.

109. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Master Sgt. Anthony R. Edwards, USAF, Retired incurred substantial losses in amounts to be proven at trial.

COUNT 2
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Master Sgt. Anthony R. Edwards, USAF, Retired)

110. Master Sgt. Anthony R. Edwards, USAF, Retired, incorporates by reference and re-alleges paragraphs 1-97 and 99, as though fully set forth herein.

111. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Master Sgt. Anthony R. Edwards, USAF, Retired.

112. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Master Sgt. Anthony R. Edwards, USAF, Retired.

113. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

114. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

115. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

116. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Master Sgt. Anthony R. Edwards, USAF, Retired, suffered substantial damages in amounts to be proven at trial.

COUNT 3
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Master Sgt. Salvatore Capaccio, USAF)

117. Master Sgt. Salvatore Capaccio, USAF incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

118. Master Sgt. Salvatore Capaccio, USAF is sui juris and a resident of United States Armed Forces Europe.

119. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Master Sgt. Salvatore Capaccio, USAF, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

120. PwC owed a duty to the stockholders of Freddie Mac, Master Sgt. Salvatore Capaccio, USAF, and knew that its work was being relied on by the stockholders of Freddie Mac, including Master Sgt. Salvatore Capaccio, USAF. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its

audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Master Sgt. Salvatore Capaccio, USAF, for the purposes of inducing Master Sgt. Salvatore Capaccio, USAF to purchase and hold Freddie Mac Stock.

121. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Master Sgt. Salvatore Capaccio, USAF.

122. Master Sgt. Salvatore Capaccio, USAF justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

123. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Master Sgt. Salvatore Capaccio, USAF, and relied upon by Freddie Mac stockholders, including Master Sgt. Salvatore Capaccio, USAF.

124. PwC owed a duty to Master Sgt. Salvatore Capaccio, USAF to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

125. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

126. PwC further breached its duty to Master Sgt. Salvatore Capaccio, USAF by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

127. Master Sgt. Salvatore Capaccio, USAF justifiably relied upon PwC's negligent audit reports to his detriment.

128. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Master Sgt. Salvatore Capaccio, USAF incurred substantial losses in amounts to be proven at trial.

COUNT 4
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Master Sgt. Salvatore Capaccio, USAF)

129. Master Sgt. Salvatore Capaccio, USAF incorporates by reference and re-alleges paragraphs 1-97 and 118, as though fully set forth herein.

130. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Master Sgt. Salvatore Capaccio, USAF.

131. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability

to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Master Sgt. Salvatore Capaccio, USAF.

132. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

133. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

134. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

135. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Master Sgt. Salvatore Capaccio, USAF suffered substantial damages in amounts to be proven at trial.

**COUNT 5
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Gator Capital Management, LLC)**

136. Gator Capital Management, LLC incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

137. Gator Capital Management, LLC is a Florida corporation with its principal place of business in Hillsborough County.

138. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Gator Capital Management, LLC, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

139. PwC owed a duty to the stockholders of Freddie Mac, including Gator Capital Management, LLC, and knew that its work was being relied on by the stockholders of Freddie Mac, including Gator Capital Management, LLC. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders,

including Gator Capital Management, LLC, for the purposes of inducing Gator Capital Management, LLC to purchase and hold Freddie Mac Stock.

140. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Gator Capital Management, LLC.

141. Gator Capital Management, LLC justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

142. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Gator Capital Management, LLC, and relied upon by Freddie Mac stockholders, including Gator Capital Management, LLC.

143. PwC owed a duty to Gator Capital Management, LLC to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

144. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

145. PwC further breached its duty to Gator Capital Management, LLC by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of

Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

146. Gator Capital Management, LLC justifiably relied upon PwC's negligent audit reports to their detriment.

147. As a direct and proximate result of its reliance upon PwC's negligent audits and resulting misrepresentations, Gator Capital Management, LLC incurred substantial losses in amounts to be proven at trial.

COUNT 6
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Gator Capital Management, LLC)

148. Gator Capital Management, LLC incorporates by reference and re-alleges paragraphs 1-97 and 137, as though fully set forth herein.

149. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Gator Capital Management, LLC.

150. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal

government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Gator Capital Management, LLC.

151. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

152. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

153. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

154. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Gator Capital Management, LLC suffered substantial damages in amounts to be proven at trial.

COUNT 7
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Perini Capital LLC)

155. Perini Capital LLC incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

156. Perini Capital LLC is a New Mexico limited liability company with offices in Miami-Dade County, Florida.

157. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Perini Capital LLC, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

158. PwC owed a duty to the stockholders of Freddie Mac, including Perini Capital LLC, and knew that its work was being relied on by the stockholders of Freddie Mac, including Perini Capital LLC. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Perini Capital LLC, for the purposes of inducing Perini Capital LLC to purchase and hold Freddie Mac Stock.

159. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Perini Capital LLC.

160. Perini Capital LLC justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

161. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Perini Capital LLC, and relied upon by Freddie Mac stockholders, including Perini Capital LLC.

162. PwC owed a duty to Perini Capital LLC to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

163. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

164. PwC further breached its duty to Perini Capital LLC by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

165. Perini Capital LLC justifiably relied upon PwC's negligent audit reports to their detriment.

166. As a direct and proximate result of its reliance upon PwC's negligent audits and resulting misrepresentations, Perini Capital LLC incurred substantial losses in amounts to be proven at trial.

COUNT 8
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Perini Capital LLC)

167. Perini Capital LLC incorporates by reference and re-alleges paragraphs 1-97 and 156, as though fully set forth herein.

168. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Perini Capital LLC.

169. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Perini Capital LLC.

170. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's

common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

171. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

172. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

173. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Perini Capital LLC suffered substantial damages in amounts to be proven at trial.

COUNT 9
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Allen Harden)

174. Allen Harden incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

175. Allen Harden is sui juris and a resident of Lake County, Florida.

176. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac.

By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Allen Harden, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

177. PwC owed a duty to the stockholders of Freddie Mac, including Allen Harden, and knew that its work was being relied on by the stockholders of Freddie Mac, including Allen Harden. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Allen Harden, for the purposes of inducing Allen Harden to purchase and hold Freddie Mac Stock.

178. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Allen Harden.

179. Allen Harden justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

180. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Allen Harden, and relied upon by Freddie Mac stockholders, including Allen Harden.

181. PwC owed a duty to Allen Harden to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

182. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

183. PwC further breached its duty to Allen Harden by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

184. Allen Harden justifiably relied upon PwC's negligent audit reports to his detriment.

185. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Allen Harden incurred substantial losses in amounts to be proven at trial.

COUNT 10
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Allen Harden)

186. Allen Harden incorporates by reference and re-alleges paragraphs 1-97 and 175, as though fully set forth herein.

187. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in

a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Allen Harden.

188. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Allen Harden.

189. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

190. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

191. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

192. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Allen Harden suffered substantial damages in amounts to be proven at trial.

COUNT 11
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Ed Bieryla)

193. Ed Bieryla incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

194. Ed Bieryla is sui juris and a resident of Hillsborough County, Florida.

195. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Ed Bieryla, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

196. PwC owed a duty to the stockholders of Freddie Mac, including Ed Bieryla, and knew that its work was being relied on by the stockholders of Freddie Mac, including Ed Bieryla. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Ed Bieryla, for the purposes of inducing Ed Bieryla to purchase and hold Freddie Mac Stock.

197. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Ed Bieryla.

198. Ed Bieryla justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

199. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Ed Bieryla, and relied upon by Freddie Mac stockholders, including Ed Bieryla.

200. PwC owed a duty to Ed Bieryla to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

201. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

202. PwC further breached its duty to Ed Bieryla by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

203. Ed Bieryla justifiably relied upon PwC's negligent audit reports to his detriment.

204. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Ed Bieryla incurred substantial losses in amounts to be proven at trial.

COUNT 12
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Ed Bieryla)

205. Ed Bieryla incorporates by reference and re-alleges paragraphs 1-97 and 194, as though fully set forth herein.

206. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Ed Bieryla.

207. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability

to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Ed Bieryla.

208. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

209. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

210. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

211. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Ed Bieryla suffered substantial damages in amounts to be proven at trial.

COUNT 13
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Doreen Bieryla)

212. Doreen Bieryla incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

213. Doreen Bieryla is sui juris and a resident of Sarasota County, Florida.

214. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Doreen Bieryla, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

215. PwC owed a duty to the stockholders of Freddie Mac, including Doreen Bieryla, and knew that its work was being relied on by the stockholders of Freddie Mac, including Doreen Bieryla. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Doreen Bieryla, for the purposes of inducing Doreen Bieryla to purchase and hold Freddie Mac Stock.

216. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Doreen Bieryla.

217. Doreen Bieryla justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

218. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Doreen Bieryla, and relied upon by Freddie Mac stockholders, including Doreen Bieryla.

219. PwC owed a duty to Doreen Bieryla to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

220. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

221. PwC further breached its duty to Doreen Bieryla by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

222. Doreen Bieryla justifiably relied upon PwC's negligent audit reports to her detriment.

223. As a direct and proximate result of her reliance upon PwC's negligent audits and resulting misrepresentations, Doreen Bieryla incurred substantial losses in amounts to be proven at trial.

COUNT 14
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Doreen Bieryla)

224. Doreen Bieryla incorporates by reference and re-alleges paragraphs 1-97 and 213, as though fully set forth herein.

225. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Doreen Bieryla.

226. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Doreen Bieryla.

227. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's

common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

228. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

229. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

230. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Doreen Bieryla suffered substantial damages in amounts to be proven at trial.

COUNT 15
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Jorge Zapata)

231. Jorge Zapata incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

232. Jorge Zapata is sui juris and a resident of Miami-Dade County, Florida.

233. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Jorge Zapata, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

234. PwC owed a duty to the stockholders of Freddie Mac, including Jorge Zapata, and knew that its work was being relied on by the stockholders of Freddie Mac, including Jorge Zapata. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Jorge Zapata, for the purposes of inducing Jorge Zapata to purchase and hold Freddie Mac Stock.

235. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Jorge Zapata.

236. Jorge Zapata justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

237. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Jorge Zapata, and relied upon by Freddie Mac stockholders, including Jorge Zapata.

238. PwC owed a duty to Jorge Zapata to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

239. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

240. PwC further breached its duty to Jorge Zapata by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

241. Jorge Zapata justifiably relied upon PwC's negligent audit reports to his detriment.

242. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Jorge Zapata incurred substantial losses in amounts to be proven at trial.

COUNT 16
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Jorge Zapata)

243. Jorge Zapata incorporates by reference and re-alleges paragraphs 1-97 and 232, as though fully set forth herein.

244. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Jorge Zapata.

245. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Jorge Zapata.

246. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care

and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

247. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

248. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

249. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Jorge Zapata suffered substantial damages in amounts to be proven at trial.

COUNT 17
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Hiren Patel)

250. Hiren Patel incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

251. Hiren Patel is sui juris and a resident of Broward County, Florida.

252. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Hiren Patel, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and

perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

253. PwC owed a duty to the stockholders of Freddie Mac, including Hiren Patel, and knew that its work was being relied on by the stockholders of Freddie Mac, including Hiren Patel. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Hiren Patel, for the purposes of inducing Hiren Patel to purchase and hold Freddie Mac Stock.

254. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Hiren Patel.

255. Hiren Patel justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

256. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Hiren Patel, and relied upon by Freddie Mac stockholders, including Hiren Patel.

257. PwC owed a duty to Hiren Patel to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

258. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors'

Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

259. PwC further breached its duty to Hiren Patel by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

260. Hiren Patel justifiably relied upon PwC's negligent audit reports to his detriment.

261. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Hiren Patel incurred substantial losses in amounts to be proven at trial.

COUNT 18
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Hiren Patel)

262. Hiren Patel incorporates by reference and re-alleges paragraphs 1-97 and 251, as though fully set forth herein.

263. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Hiren Patel.

264. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Hiren Patel.

265. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

266. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

267. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

268. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Hiren Patel suffered substantial damages in amounts to be proven at trial.

COUNT 19
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Louise Strang)

269. Louise Strang incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

270. Louise Strang is sui juris and a resident of Williamson County, Tennessee.

271. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Louise Strang, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

272. PwC owed a duty to the stockholders of Freddie Mac, including Louise Strang, and knew that its work was being relied on by the stockholders of Freddie Mac, including Louise Strang. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be

furnished to Freddie Mac stockholders, including Louise Strang, for the purposes of inducing Louise Strang to purchase and hold Freddie Mac Stock.

273. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Louise Strang.

274. Louise Strang justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

275. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Louise Strang, and relied upon by Freddie Mac stockholders, including Louise Strang.

276. PwC owed a duty to Louise Strang to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

277. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

278. PwC further breached its duty to Louise Strang by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

279. Louise Strang justifiably relied upon PwC's negligent audit reports to her detriment.

280. As a direct and proximate result of her reliance upon PwC's negligent audits and resulting misrepresentations, Louise Strang incurred substantial losses in amounts to be proven at trial.

COUNT 20
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Louise Strang)

281. Louise Strang incorporates by reference and re-alleges paragraphs 1-97 and 270, as though fully set forth herein.

282. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Louise Strang.

283. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Louise Strang.

284. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

285. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

286. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

287. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Louise Strang suffered substantial damages in amounts to be proven at trial.

COUNT 21
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Johnna B. Watson)

288. Johnna B. Watson incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

289. Johnna B. Watson is sui juris and a resident of Davidson County, Tennessee.

290. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Johnna B. Watson, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

291. PwC owed a duty to the stockholders of Freddie Mac, including Johnna B. Watson, and knew that its work was being relied on by the stockholders of Freddie Mac, including Johnna B. Watson. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Johnna B. Watson, for the purposes of inducing Johnna B. Watson to purchase and hold Freddie Mac Stock.

292. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Johnna B. Watson.

293. Johnna B. Watson justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

294. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Johnna B. Watson, and relied upon by Freddie Mac stockholders, including Johnna B. Watson.

295. PwC owed a duty to Johnna B. Watson to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

296. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

297. PwC further breached its duty to Johnna B. Watson by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

298. Johnna B. Watson justifiably relied upon PwC's negligent audit reports to her detriment.

299. As a direct and proximate result of her reliance upon PwC's negligent audits and resulting misrepresentations, Johnna B. Watson incurred substantial losses in amounts to be proven at trial.

COUNT 22
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY

(Johnna B. Watson)

300. Johnna B. Watson incorporates by reference and re-alleges paragraphs 1-97 and 289, as though fully set forth herein.

301. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Johnna B. Watson.

302. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Johnna B. Watson.

303. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial

condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

304. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

305. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

306. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Johnna B. Watson suffered substantial damages in amounts to be proven at trial.

COUNT 23
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Melody Sullivan)

307. Melody Sullivan incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

308. Melody Sullivan is sui juris and a resident of Williamson County, Tennessee.

309. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Melody Sullivan, and to perform those audits in conformance with the Auditing

Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

310. PwC owed a duty to the stockholders of Freddie Mac, including Melody Sullivan, and knew that its work was being relied on by the stockholders of Freddie Mac, including Melody Sullivan. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Melody Sullivan, for the purposes of inducing Melody Sullivan to purchase and hold Freddie Mac Stock.

311. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Melody Sullivan.

312. Melody Sullivan justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

313. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Melody Sullivan, and relied upon by Freddie Mac stockholders, including Melody Sullivan.

314. PwC owed a duty to Melody Sullivan to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

315. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of

Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

316. PwC further breached its duty to Melody Sullivan by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

317. Melody Sullivan justifiably relied upon PwC's negligent audit reports to her detriment.

318. As a direct and proximate result of her reliance upon PwC's negligent audits and resulting misrepresentations, Melody Sullivan incurred substantial losses in amounts to be proven at trial.

COUNT 24
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Melody Sullivan)

319. Melody Sullivan incorporates by reference and re-alleges paragraphs 1-97 and 308, as though fully set forth herein.

320. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury,

and the federal government to the detriment of the stockholders of Freddie Mac, including Melody Sullivan.

321. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Melody Sullivan.

322. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

323. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

324. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

325. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Melody Sullivan suffered substantial damages in amounts to be proven at trial.

COUNT 25
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Amit Choksi)

326. Amit Choksi incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

327. Amit Choksi is sui juris and a resident of Williamson County, Tennessee.

328. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Amit Choksi, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

329. PwC owed a duty to the stockholders of Freddie Mac, including Amit Choksi, and knew that its work was being relied on by the stockholders of Freddie Mac, including Amit Choksi. Specifically, PwC was aware and intended that Freddie Mac's

financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Amit Choksi, for the purposes of inducing Amit Choksi to purchase and hold Freddie Mac Stock.

330. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Amit Choksi.

331. Amit Choksi justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

332. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Amit Choksi, and relied upon by Freddie Mac stockholders, including Amit Choksi.

333. PwC owed a duty to Amit Choksi to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

334. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

335. PwC further breached its duty to Amit Choksi by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii)

Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

336. Amit Choksi justifiably relied upon PwC's negligent audit reports to his detriment.

337. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Amit Choksi incurred substantial losses in amounts to be proven at trial.

COUNT 26
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Amit Choksi)

338. Amit Choksi incorporates by reference and re-alleges paragraphs 1-97 and 327, as though fully set forth herein.

339. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Amit Choksi.

340. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal

government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Amit Choksi.

341. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

342. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

343. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

344. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Amit Choksi suffered substantial damages in amounts to be proven at trial.

COUNT 27
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Phil Miller)

345. Phil Miller incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

346. Phil Miller is sui juris and a resident of Williamson County, Tennessee.

347. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Phil Miller, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

348. PwC owed a duty to the stockholders of Freddie Mac, including Phil Miller, and knew that its work was being relied on by the stockholders of Freddie Mac, including Phil Miller. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Phil Miller, for the purposes of inducing Phil Miller to purchase and hold Freddie Mac Stock.

349. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Phil Miller.

350. Phil Miller justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

351. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Phil Miller, and relied upon by Freddie Mac stockholders, including Phil Miller.

352. PwC owed a duty to Phil Miller to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

353. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

354. PwC further breached its duty to Phil Miller by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

355. Phil Miller justifiably relied upon PwC's negligent audit reports to his detriment.

356. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Phil Miller incurred substantial losses in amounts to be proven at trial.

COUNT 28
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY

(Phil Miller)

357. Phil Miller incorporates by reference and re-alleges paragraphs 1-97 and 346, as though fully set forth herein.

358. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Phil Miller.

359. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Phil Miller.

360. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial

condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

361. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

362. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

363. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Phil Miller suffered substantial damages in amounts to be proven at trial.

COUNT 29
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(James Ferguson)

364. James Ferguson incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

365. James Ferguson is sui juris and a resident of Williamson County, Tennessee.

366. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including James Ferguson, and to perform those audits in conformance with the Auditing

Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

367. PwC owed a duty to the stockholders of Freddie Mac, including James Ferguson, and knew that its work was being relied on by the stockholders of Freddie Mac, including James Ferguson. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be James Ferguson to Freddie Mac stockholders, including James Ferguson, for the purposes of inducing James Ferguson to purchase and hold Freddie Mac Stock.

368. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to James Ferguson.

369. James Ferguson justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

370. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including James Ferguson, and relied upon by Freddie Mac stockholders, including James Ferguson.

371. PwC owed a duty to James Ferguson to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

372. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of

Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

373. PwC further breached its duty to James Ferguson by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

374. James Ferguson justifiably relied upon PwC's negligent audit reports to his detriment.

375. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, James Ferguson incurred substantial losses in amounts to be proven at trial.

COUNT 30
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(James Ferguson)

376. James Ferguson incorporates by reference and re-alleges paragraphs 1-97 and 365, as though fully set forth herein.

377. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury,

and the federal government to the detriment of the stockholders of Freddie Mac, including James Ferguson.

378. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including James Ferguson.

379. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

380. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

381. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

382. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, James Ferguson suffered substantial damages in amounts to be proven at trial.

COUNT 31
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Gordon Inman)

383. Gordon Inman incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

384. Gordon Inman is sui juris and a resident of Williamson County, Tennessee.

385. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Gordon Inman, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

386. PwC owed a duty to the stockholders of Freddie Mac, including Gordon Inman, and knew that its work was being relied on by the stockholders of Freddie Mac,

including Gordon Inman. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Gordon Inman, for the purposes of inducing Gordon Inman to purchase and hold Freddie Mac Stock.

387. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Gordon Inman.

388. Gordon Inman justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

389. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Gordon Inman, and relied upon by Freddie Mac stockholders, including Gordon Inman.

390. PwC owed a duty to Gordon Inman to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

391. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

392. PwC further breached its duty to Gordon Inman by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii)

Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

393. Gordon Inman justifiably relied upon PwC's negligent audit reports to his detriment.

394. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Gordon Inman incurred substantial losses in amounts to be proven at trial.

COUNT 32
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Gordon Inman)

395. Gordon Inman incorporates by reference and re-alleges paragraphs 1-97 and 384, as though fully set forth herein.

396. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Gordon Inman.

397. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal

government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Gordon Inman.

398. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

399. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

400. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

401. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Gordon Inman suffered substantial damages in amounts to be proven at trial.

COUNT 33
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Shaun Inman)

402. Shaun Inman incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

403. Shaun Inman is sui juris and a resident of Williamson County, Tennessee.

404. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Shaun Inman, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

405. PwC owed a duty to the stockholders of Freddie Mac, including Shaun Inman, and knew that its work was being relied on by the stockholders of Freddie Mac, including Shaun Inman. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Shaun Inman, for the purposes of inducing Shaun Inman to purchase and hold Freddie Mac Stock.

406. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Shaun Inman.

407. Shaun Inman justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

408. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Shaun Inman, and relied upon by Freddie Mac stockholders, including Shaun Inman.

409. PwC owed a duty to Shaun Inman to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

410. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

411. PwC further breached its duty to Shaun Inman by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

412. Shaun Inman justifiably relied upon PwC's negligent audit reports to his detriment.

413. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Shaun Inman incurred substantial losses in amounts to be proven at trial.

COUNT 34
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY

(Shaun Inman)

414. Shaun Inman incorporates by reference and re-alleges paragraphs 1-97 and 403, as though fully set forth herein.

415. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Shaun Inman.

416. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Shaun Inman.

417. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial

condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

418. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

419. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

420. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Shaun Inman suffered substantial damages in amounts to be proven at trial.

COUNT 35
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Michael Carmody)

421. Michael Carmody incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

422. Michael Carmody is sui juris and a resident of St. Louis County, Missouri.

423. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Michael Carmody, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form

and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

424. PwC owed a duty to the stockholders of Freddie Mac, including Michael Carmody, and knew that its work was being relied on by the stockholders of Freddie Mac, including Michael Carmody. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Michael Carmody, for the purposes of inducing Michael Carmody to purchase and hold Freddie Mac Stock.

425. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Michael Carmody.

426. Michael Carmody justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

427. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Michael Carmody, and relied upon by Freddie Mac stockholders, including Michael Carmody.

428. PwC owed a duty to Michael Carmody to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

429. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a

reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

430. PwC further breached its duty to Michael Carmody by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

431. Michael Carmody justifiably relied upon PwC's negligent audit reports to his detriment.

432. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Michael Carmody incurred substantial losses in amounts to be proven at trial.

COUNT 36
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Michael Carmody)

433. Michael Carmody incorporates by reference and re-alleges paragraphs 1-97 and 422, as though fully set forth herein.

434. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Michael Carmody.

435. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Michael Carmody.

436. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

437. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

438. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

439. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Michael Carmody suffered substantial damages in amounts to be proven at trial.

COUNT 37
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Matt Hill)

440. Matt Hill incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

441. Matt Hill is sui juris and a resident of Placer County, California.

442. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Matt Hill, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

443. PwC owed a duty to the stockholders of Freddie Mac, including Matt Hill, and knew that its work was being relied on by the stockholders of Freddie Mac, including Matt Hill. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to

Freddie Mac stockholders, including Matt Hill, for the purposes of inducing Matt Hill to purchase and hold Freddie Mac Stock.

444. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Matt Hill.

445. Matt Hill justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

446. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Matt Hill, and relied upon by Freddie Mac stockholders, including Matt Hill.

447. PwC owed a duty to Matt Hill to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

448. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

449. PwC further breached its duty to Matt Hill by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

450. Matt Hill justifiably relied upon PwC's negligent audit reports to his detriment.

451. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Matt Hill incurred substantial losses in amounts to be proven at trial.

COUNT 38
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Matt Hill)

452. Matt Hill incorporates by reference and re-alleges paragraphs 1-97 and 441, as though fully set forth herein.

453. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Matt Hill.

454. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Matt Hill.

455. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

456. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

457. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

458. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Matt Hill suffered substantial damages in amounts to be proven at trial.

COUNT 39
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Joseph Waske)

459. Joseph Waske incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

460. Joseph Waske is sui juris and a resident of Orange County, California.

461. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Joseph Waske, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

462. PwC owed a duty to the stockholders of Freddie Mac, including Joseph Waske, and knew that its work was being relied on by the stockholders of Freddie Mac, including Joseph Waske. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Joseph Waske, for the purposes of inducing Joseph Waske to purchase and hold Freddie Mac Stock.

463. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Joseph Waske.

464. Joseph Waske justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

465. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Joseph Waske, and relied upon by Freddie Mac stockholders, including Joseph Waske.

466. PwC owed a duty to Joseph Waske to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

467. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

468. PwC further breached its duty to Joseph Waske by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

469. Joseph Waske justifiably relied upon PwC's negligent audit reports to his detriment.

470. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Joseph Waske incurred substantial losses in amounts to be proven at trial.

COUNT 40
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Joseph Waske)

471. Joseph Waske incorporates by reference and re-alleges paragraphs 1-97 and 460, as though fully set forth herein.

472. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Joseph Waske.

473. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Joseph Waske.

474. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to

Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

475. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

476. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

477. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Joseph Waske suffered substantial damages in amounts to be proven at trial.

COUNT 41
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Maryam Moinfar)

478. Maryam Moinfar incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

479. Maryam Moinfar is sui juris and a resident of Orange County, California.

480. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Maryam Moinfar, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically

committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

481. PwC owed a duty to the stockholders of Freddie Mac, including Maryam Moinfar, and knew that its work was being relied on by the stockholders of Freddie Mac, including Maryam Moinfar. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Maryam Moinfar, for the purposes of inducing Maryam Moinfar to purchase and hold Freddie Mac Stock.

482. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Maryam Moinfar.

483. Maryam Moinfar justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

484. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Maryam Moinfar, and relied upon by Freddie Mac stockholders, including Maryam Moinfar.

485. PwC owed a duty to Maryam Moinfar to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

486. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors'

Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

487. PwC further breached its duty to Maryam Moinfar by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

488. Maryam Moinfar justifiably relied upon PwC's negligent audit reports to her detriment.

489. As a direct and proximate result of her reliance upon PwC's negligent audits and resulting misrepresentations, Maryam Moinfar incurred substantial losses in amounts to be proven at trial.

COUNT 42
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Maryam Moinfar)

490. Maryam Moinfar incorporates by reference and re-alleges paragraphs 1-97 and 479, as though fully set forth herein.

491. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Maryam Moinfar.

492. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Maryam Moinfar.

493. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

494. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

495. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

496. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Maryam Moinfar suffered substantial damages in amounts to be proven at trial.

COUNT 43
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Wayne Olson)

497. Wayne Olson incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

498. Wayne Olson is sui juris and a resident of Cumberland County, Maine.

499. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Wayne Olson, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

500. PwC owed a duty to the stockholders of Freddie Mac, including Wayne Olson, and knew that its work was being relied on by the stockholders of Freddie Mac, including Wayne Olson. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be

furnished to Freddie Mac stockholders, including Wayne Olson, for the purposes of inducing Wayne Olson to purchase and hold Freddie Mac Stock.

501. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Wayne Olson.

502. Wayne Olson justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

503. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Wayne Olson, and relied upon by Freddie Mac stockholders, including Wayne Olson.

504. PwC owed a duty to Wayne Olson to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

505. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

506. PwC further breached its duty to Wayne Olson by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

507. Wayne Olson justifiably relied upon PwC's negligent audit reports to his detriment.

508. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Wayne Olson incurred substantial losses in amounts to be proven at trial.

COUNT 44
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Wayne Olson)

509. Wayne Olson incorporates by reference and re-alleges paragraphs 1-97 and 498, as though fully set forth herein.

510. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Wayne Olson.

511. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Wayne Olson.

512. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

513. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

514. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

515. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Wayne Olson suffered substantial damages in amounts to be proven at trial.

COUNT 45
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Rich Kivela)

516. Rich Kivela incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

517. Rich Kivela is sui juris and a resident of Cumberland County, Maine.

518. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Rich Kivela, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

519. PwC owed a duty to the stockholders of Freddie Mac, Rich Kivela, and knew that its work was being relied on by the stockholders of Freddie Mac, including Rich Kivela. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Rich Kivela, for the purposes of inducing Rich Kivela to purchase and hold Freddie Mac Stock.

520. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Rich Kivela.

521. Rich Kivela justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

522. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Rich Kivela, and relied upon by Freddie Mac stockholders, including Rich Kivela.

523. PwC owed a duty to Rich Kivela to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

524. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

525. PwC further breached its duty to Rich Kivela by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

526. Rich Kivela justifiably relied upon PwC's negligent audit reports to his detriment.

527. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Rich Kivela incurred substantial losses in amounts to be proven at trial.

COUNT 46
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Rich Kivela)

528. Rich Kivela incorporates by reference and re-alleges paragraphs 1-97 and 517, as though fully set forth herein.

529. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Rich Kivela.

530. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Rich Kivela.

531. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care

and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

532. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

533. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

534. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Rich Kivela suffered substantial damages in amounts to be proven at trial.

COUNT 47
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Chris Wossilek)

535. Chris Wossilek incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

536. Chris Wossilek is sui juris and a resident of Douglas County, Colorado.

537. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Chris Wossilek, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and

perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

538. PwC owed a duty to the stockholders of Freddie Mac, Chris Wossilek, and knew that its work was being relied on by the stockholders of Freddie Mac, including Chris Wossilek. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to Freddie Mac stockholders, including Chris Wossilek, for the purposes of inducing Chris Wossilek to purchase and hold Freddie Mac Stock.

539. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Chris Wossilek.

540. Chris Wossilek justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

541. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Chris Wossilek, and relied upon by Freddie Mac stockholders, including Chris Wossilek.

542. PwC owed a duty to Chris Wossilek to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

543. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors'

Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

544. PwC further breached its duty to Chris Wossilek by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

545. Chris Wossilek justifiably relied upon PwC's negligent audit reports to his detriment.

546. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Chris Wossilek incurred substantial losses in amounts to be proven at trial.

COUNT 48
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Chris Wossilek)

547. Chris Wossilek incorporates by reference and re-alleges paragraphs 1-97 and 536, as though fully set forth herein.

548. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Chris Wossilek.

549. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Chris Wossilek.

550. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

551. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

552. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

553. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Chris Wossilek suffered substantial damages in amounts to be proven at trial.

COUNT 49
NEGLIGENT MISREPRESENTATION
(RESTATEMENT (2d) OF TORTS SECTION 552)
(Matthew Reed)

554. Matthew Reed incorporates by reference and re-alleges paragraphs 1-97, as though fully set forth herein.

555. Matthew Reed is sui juris and a resident of Salt Lake County, Utah.

556. PwC is the certified public accountant firm that audited the consolidated financial statements of Freddie Mac and performed accounting services for Freddie Mac. By agreement and as professional accountants, PwC's express purpose was to audit the consolidated financial statements for Freddie Mac for the benefit of the public, including Matthew Reed, and to perform those audits in conformance with the Auditing Standards, the professional standards set forth in PwC's own audit manuals, and to form and express opinions about whether those consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP. PwC specifically committed to plan and perform its audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

557. PwC owed a duty to the stockholders of Freddie Mac, Matthew Reed, and knew that its work was being relied on by the stockholders of Freddie Mac, including Matthew Reed. Specifically, PwC was aware and intended that Freddie Mac's financial statements and its audit reports provided in connection therewith would be furnished to

Freddie Mac stockholders, including Matthew Reed, for the purposes of inducing Matthew Reed to purchase and hold Freddie Mac Stock.

558. Consistent with PwC's understanding, PwC's audited financial reports for Freddie Mac for the audit years 2007-2014 were provided to Matthew Reed.

559. Matthew Reed justifiably relied upon the PwC Audit Reports in purchasing or holding Freddie Mac Stock.

560. PwC knew and intended that its audits would be furnished to Freddie Mac stockholders, including Matthew Reed, and relied upon by Freddie Mac stockholders, including Matthew Reed.

561. PwC owed a duty to Matthew Reed to exercise reasonable care and competence in making the statements set forth in the PwC Audit Reports.

562. PwC breached its duty by performing negligent audits and making at least the following untrue statements in its audit reports: (i) Freddie Mac's consolidated financial statements presented fairly, in all material respects, the financial position of Freddie Mac and its subsidiaries in conformity with GAAP; (ii) Freddie Mac had a reasonable basis for making the statements contained in its Independent Auditors' Reports; (iii) Freddie Mac conducted its audits in accordance with the Auditing Standards; and (iv) the financial statements were free of material misstatements.

563. PwC further breached its duty to Matthew Reed by failing to disclose at least the following material facts: (i) Freddie Mac Stock had been rendered worthless by actions taken by Treasury, FHFA and directors and officers of Freddie Mac; and (ii) Freddie Mac ceased to be a going concern by virtue of the actions taken by Treasury, FHFA and directors and officers of Freddie Mac.

564. Matthew Reed justifiably relied upon PwC's negligent audit reports to his detriment.

565. As a direct and proximate result of his reliance upon PwC's negligent audits and resulting misrepresentations, Matthew Reed incurred substantial losses in amounts to be proven at trial.

COUNT 50
AIDING AND ABETTING BREACH OF FIDUCIARY DUTY
(Matthew Reed)

566. Matthew Reed incorporates by reference and re-alleges paragraphs 1-97 and 555, as though fully set forth herein.

567. The directors and officers of Freddie Mac owed fiduciary duties of due care and loyalty to the stockholders of Freddie Mac, including to manage Freddie Mac in a fair, just, honest, and equitable manner. These directors and officers breached their fiduciary duties by acting only for the personal interest or benefit of FHFA, Treasury, and the federal government to the detriment of the stockholders of Freddie Mac, including Matthew Reed.

568. By imposing a conservatorship over Freddie Mac, through which FHFA assumed the powers of its officers and directors, FHFA assumed fiduciary duties of due care and loyalty to Freddie Mac, and was and is required to use its utmost ability to control and manage Freddie Mac in a fair, just, honest, and equitable manner. FHFA was and is required to act in furtherance of the best interests of Freddie Mac and not in furtherance of personal interest or benefit of FHFA, Treasury, or the federal government. FHFA breached its fiduciary duties to the stockholders of Freddie Mac, including Matthew Reed.

569. Treasury, as an investor exercises de facto control over Freddie Mac, including through its Senior Preferred Stock and warrants to purchase Freddie Mac's common stock, as well as Treasury's control of the provision of funds to Freddie Mac, Treasury's consent rights over Freddie Mac repaying the Senior Preferred Stock or exiting conservatorship, and Treasury's influence over FHFA officials, many of whom were employees of Treasury. With such de facto power over Freddie Mac's financial condition and operations, Treasury was in a position to, and did, direct FHFA with respect to determinations affecting Freddie Mac and their stockholders. As controlling stockholder of Freddie Mac, Treasury owed fiduciary duties of due care and loyalty to Freddie Mac. For the reasons described herein, Treasury has breached those fiduciary duties.

570. PwC had knowledge of the breaches by FHFA, Treasury and the directors and officers of Freddie Mac.

571. PwC provided substantial assistance or encouragement of the wrongdoing by Treasury, FHFA and the directors and officers of Freddie Mac.

572. As a direct result of these breaches of fiduciary duty and PwC's conduct in substantial assistance, Matthew Reed suffered substantial damages in amounts to be proven at trial.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully requests judgment against Defendant, under all applicable causes of action, as follows:

1. actual, compensatory and consequential damages in an amount to be proven;
2. pre-judgment and post-judgment interest as allowed by law; and
3. such other and further legal and equitable relief as the Court deems just and proper.

DEMAND FOR JURY TRIAL

Plaintiffs hereby demand a trial by jury of all issues so triable.

Dated: March 9, 2016

Respectfully submitted,

THOMAS, ALEXANDER & FORRESTER
LLP
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Venice, CA 90291
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Facsimile: (310) 526-6852

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By: Hector Lombana, Esq.
Fla. Bar No. 238813

GONZALO R. DORTA, P.A.
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Facsimile: (305) 441-8849

By: Gonzalo R. Dorta, Esq.
Fla. Bar No. 238813

EXHIBIT D

**BEFORE THE UNITED STATES
JUDICIAL PANEL ON MULTIDISTRICT LITIGATION**

IN RE: FEDERAL HOUSING FINANCE
AGENCY, *ET AL.*, PREFERRED STOCK
PURCHASE AGREEMENTS THIRD
AMENDMENT LITIGATION

MDL Docket No. 2713

NOTICE OF RELATED ACTIONS

In accordance with Rule 7.1(a) of the Rules of Procedure for the United States Judicial Panel on Multidistrict Litigation, the Federal Housing Finance Agency (“FHFA”), as Conservator for the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), respectfully notifies the Panel of the pendency of the following related actions in federal district courts.

Related Actions

Pagliara v. Fed. Nat’l Mortg. Ass’n
No. 1:16-cv-00193
District of Delaware
Judge: not yet assigned

Pagliara v. Fed. Home Loan Mortg. Corp.
No. 1:16-cv-00337
Eastern District of Virginia
Honorable James C. Cacheris

A Schedule of Actions is filed with this notice.

In *Pagliara v. Federal National Mortgage Association* (the “Fannie Mae Case”), the plaintiff is Timothy J. Pagliara, a shareholder of Fannie Mae (and Freddie Mac). The defendant is Fannie Mae. The notice removing this case to federal court is attached as Exhibit 1 (without

the exhibits thereto). The docket sheet and Complaint are filed with this notice. In *Pagliara v. Federal Home Loan Mortgage Corporation* (the “Freddie Mac Case”), the plaintiff is also Timothy J. Pagliara, a shareholder of Freddie Mac (and Fannie Mae). The defendant is Freddie Mac. The notice removing this case to federal court is attached as Exhibit 2 (without the exhibits thereto). The docket sheet and Complaint are filed with this notice.

In these actions, Pagliara seeks an order requiring Fannie Mae and Freddie Mac to make their books and records available to Pagliara, “primarily for the purpose of investigating potential claims arising from” the Third Amendment. Freddie Mac Case Compl. ¶ 4; Fannie Mae Case Compl. ¶¶ 161, 167. FHFA anticipated Pagliara would file these actions and previously alerted the Panel to them. *See* Memorandum of Law in Support of Federal Housing Finance Agency’s Motion to Transfer for Consolidated or Coordinated Pretrial Proceedings Under 28 U.S.C. § 1407, at 6 & n.4, ECF No. 1-1.

Pagliara’s actions present the same legal issues and common facts as do the four related cases that formed the basis for FHFA’s original motion to transfer. As Pagliara acknowledges in his complaints, the purpose of his requests to inspect books and records is to attack the Third Amendment; thus, his complaints arise out of and relate to the exact same facts as those in the Related Cases, each of which constitutes a shareholder attack on the Third Amendment. Further, in all of these cases, the court must resolve a threshold question of whether shareholders of Fannie Mae and Freddie Mac, including Pagliara, have standing to bring these actions in light of HERA’s statutory mandate that the Conservator has succeeded to “all rights, titles, powers, and privileges” of Fannie Mae’s and Freddie Mac’s shareholders. 12 U.S.C. § 4617(b)(2)(A)(i). In addition, all of the cases raise jurisdictional questions under Section 4617(f), which provides that

“no court may take any action to restrain or affect the exercise of powers or functions of the Agency as a conservator.”

Accordingly, FHFA respectfully requests that the Panel coordinate or consolidate these cases with MDL No. 2713 and transfer the cases to the U.S. District Court for the District of Columbia.

Dated: March 28, 2016

Respectfully submitted,

/s/ Howard N. Cayne

Howard N. Cayne (D.C. Bar # 331306)

Asim Varma (D.C. Bar # 426364)

David B. Bergman (D.C. Bar # 435392)

ARNOLD & PORTER LLP

601 Massachusetts Ave., NW

Washington, DC 20001

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Asim.Varma@aporter.com

*Attorneys for the Federal Housing Finance Agency,
Conservator for Defendants Freddie Mac and
Fannie Mae*

**BEFORE THE UNITED STATES
JUDICIAL PANEL ON MULTIDISTRICT LITIGATION**

*In re: Federal Housing Finance Agency, et al., Preferred Stock Purchase Agreements Third
Amendment Litigation, MDL Docket No. 2713*

SCHEDULE OF RELATED ACTIONS

Case Captions	Court / Division	Civil Action No.	Judge
<u>Plaintiff</u> Timothy J. Pagliara <u>Defendant</u> Federal National Mortgage Association	D. Delaware, Wilmington	1:16-cv-00193	Not yet assigned
<u>Plaintiff</u> Timothy J. Pagliara <u>Defendant</u> Federal Home Loan Mortgage Corporation	E.D. Virginia, Alexandria Division	1:16-cv-00337	James C. Cacheris

EXHIBIT E

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF IOWA
CEDAR RAPIDS DIVISION**

THOMAS SAXTON et al.,

Plaintiffs,

vs.

THE FEDERAL HOUSING FINANCE
AGENCY et al.,

Defendants.

No. 15-CV-47-LRR

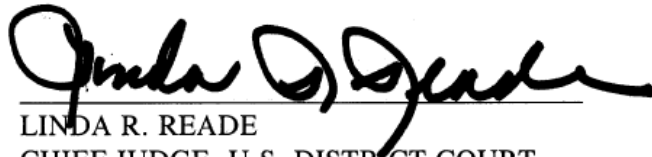
ORDER

The matter before the court is Defendants’ “Joint Motion to Stay Proceedings” (“Motion”) (docket no. 78), which Defendants filed on March 31, 2016. Plaintiffs have not filed a resistance, but pursuant to Local Rule 7(e), the court shall rule on the Motion without waiting for a resistance to be filed. *See* LR 7(e) (“If a motion appears to be noncontroversial, or if circumstances otherwise warrant, the court may elect to rule on a motion without waiting for a resistance or response.”). In the Motion, Defendants request that the court stay the instant action pending decision by the Judicial Panel on Multidistrict Litigation (“Panel”) on whether to transfer the instant action for consolidation and coordination in the United States District Court for the District of Columbia. *See In re Fed. Housing Fin. Agency, et al., Preferred Stock Purchase Agreements Third Amendment Litig.*, MDL No. 2713 (J.P.M.L. 2015). Defendants state that responses to the motion to transfer pending before the Panel are due on April 6, 2016 and that Defendants may file a reply by April 13, 2016. Brief in Support of the Motion (docket no. 78-1) at 4. For the reasons stated in the Motion, the Motion is **GRANTED**. All proceedings in this matter are **STAYED** pending the Panel’s determination of whether to transfer the instant action. In the event the Panel denies the motion to transfer, Plaintiffs must file their resistances

to the pending Motions to Dismiss (docket nos. 76, 77) in the instant action **by no later than fourteen days after the Panel's decision.**

IT IS SO ORDERED.

DATED this 4th day of April, 2016.



LINDA R. READE
CHIEF JUDGE, U.S. DISTRICT COURT
NORTHERN DISTRICT OF IOWA

EXHIBIT F

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

DAVID JACOBS and GARY HINDES, on)
behalf of themselves and all others similarly)
situated, and derivatively on behalf of the)
Federal National Mortgage Association and)
Federal Home Loan Mortgage Corporation,)

Civil Action No.: 15-708-GMS

Plaintiffs,

v.

THE FEDERAL HOUSING FINANCE)
AGENCY, in its capacity as Conservator of)
the Federal National Mortgage Association and)
the Federal Home Loan Mortgage Corporation,)
and THE UNITED STATES DEPARTMENT)
OF THE TREASURY,)

CLASS ACTION

Defendants,

and

THE FEDERAL NATIONAL MORTGAGE)
ASSOCIATION and THE FEDERAL HOME)
LOAN MORTGAGE CORPORATION,)

Nominal Defendants.

[PROPOSED] ORDER

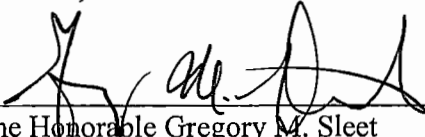
WHEREAS, on March 15, 2016, the Federal Housing Finance Agency (“FHFA”) filed with the Judicial Panel for Multidistrict Litigation (the “Panel”) its motion to transfer for coordinated or consolidated pretrial proceedings under 28 U.S.C. § 1407 (“MDL Motion”);

WHEREAS, on March 28, 2016, the above-captioned parties appeared before the Court via telephone conference regarding the MDL Motion and how to proceed with Defendants’ pending motions to dismiss (D.I. 17 and 19) and Plaintiffs’ pending application for certification of state law issues (D.I. 24); and

WHEREAS, the Court's inherent discretionary power to control the disposition of cases on its docket includes the power to stay a case;

IT IS HEREBY ORDERED that this action is stayed until the Panel rules on the MDL Motion.

IT IS SO ORDERED this 29th day of March, 2016.



The Honorable Gregory M. Sleet
United States District Judge

EXHIBIT G

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

TIMOTHY J. PAGLIARA,
Plaintiff,

v.

FEDERAL NATIONAL MORTGAGE
ASSOCIATION,
Defendant.

C.A. No. 1:16-cv-00193

[PROPOSED] ORDER

WHEREAS, on March 25, 2016, Defendant Federal National Mortgage Association removed this action from Delaware Chancery Court to this Court and identified this case as related to *Jacobs v. Federal Housing Finance Agency*, Case No. 1:15-cv-00708;

WHEREAS, on March 15, 2016, the Federal Housing Finance Agency (“FHFA”) filed with the Judicial Panel for Multidistrict Litigation (the “Panel”) a motion to transfer the *Jacobs* case for coordinated or consolidated pretrial proceedings under 28 U.S.C. § 1407 (“MDL Motion”);

WHEREAS, on March 28, 2016, the Court entered a minute order staying the *Jacobs* case pending the resolution of the MDL Motion;

WHEREAS, on March 28, 2016, FHFA filed a Notice of Related case with the Panel informing the Panel that this action was related to the actions subject to the MDL Motion and therefore subject to the pending MDL Motion;

WHEREAS, on March 29, 2016, Fannie Mae filed its Notice of Filing With the Judicial Panel on Multidistrict Litigation;

WHEREAS this case would also be transferred to the United States District Court for the District of Columbia if the JPML grants the MDL Motion; and

WHEREAS, the Court's inherent discretionary power to control the disposition of cases on its docket includes the power to stay a case;

IT IS HEREBY ORDERED that this action is stayed until the Panel rules on the MDL Motion.

IT IS SO ORDERED this ___ day of March, 2016.

United States District Judge

EXHIBIT H

STAYED

**U.S. District Court
District of Delaware (Wilmington)
CIVIL DOCKET FOR CASE #: 1:16-cv-00193-GMS**

Pagliara v. Federal National Mortgage Association
Assigned to: Judge Gregory M. Sleet
Related Case: [1:15-cv-00708-GMS](#)
Case in other court: DE Chancery Ct, 12105-VCMR
Cause: 28:1441 Notice of Removal

Date Filed: 03/25/2016
Jury Demand: None
Nature of Suit: 430 Banks and Banking
Jurisdiction: Federal Question

Plaintiff**Timothy J. Pagliara**

represented by **Comrie Barr Flinn**
Young, Conaway, Stargatt & Taylor
LLP
Rodney Square
1000 North King Street
Wilmington, DE 19801
(302) 571-6600
Email: bflinn@ycst.com
LEAD ATTORNEY
ATTORNEY TO BE NOTICED

V.

Defendant**Federal National Mortgage
Association**

represented by **S. Mark Hurd**
Morris, Nichols, Arsht & Tunnell LLP
1201 North Market Street
P.O. Box 1347
Wilmington, DE 19899
(302) 658-9200
Email: SHurd@mnat.com
LEAD ATTORNEY
ATTORNEY TO BE NOTICED

Zi-Xiang Shen

Morris, Nichols, Arsht & Tunnell LLP
1201 North Market Street
P.O. Box 1347
Wilmington, DE 19899
484-639-2003
Email: zshen@mnat.com
ATTORNEY TO BE NOTICED

Date Filed	#	Docket Text
03/25/2016	1	NOTICE OF REMOVAL and copies of documents from DE Chancery Ct., Case Number 12105-VCMR (Filing fee \$400.00, receipt number 0311-1901357)- filed by Federal National Mortgage Association. (Attachments: # 1 Exhibit A Part 1, # 2 Exhibit A Part 2, # 3 Exhibit B, # 4 Civil Cover Sheet)(sar) (Entered: 03/28/2016)
03/25/2016	2	Notice, Consent and Referral forms re: U.S. Magistrate Judge jurisdiction. (sar) (Entered: 03/28/2016)
03/29/2016	3	NOTICE of Filing with the Judicial Panel on Multidistrict Litigation by Federal National Mortgage Association (Attachments: # 1 Exhibit Exhibits 1 and 2, # 2 Exhibit Exhibit 3, # 3 Exhibit Exhibits 4-5, # 4 Exhibit Exhibit 6, # 5 Exhibit Exhibit 7 (part 1 of 2), # 6 Exhibit Exhibit 7 (part 2 of 2))(Hurd, S.) (Entered: 03/29/2016)
03/29/2016	4	MOTION to Stay The Case Pending a Decision on Transfer to MDL Proceedings - filed by Federal National Mortgage Association. (Attachments: # 1 Text of Proposed Order)(Hurd, S.) Modified on 4/1/2016 (mdb). (Entered: 03/29/2016)
03/30/2016		Case Assigned to Judge Gregory M. Sleet. Please include the initials of the Judge (GMS) after the case number on all documents filed. (rjb) (Entered: 03/30/2016)
03/31/2016	5	MOTION for Pro Hac Vice Appearance of Attorney Michael J. Walsh, Jr. and Jeffrey W. Kilduff - filed by Federal National Mortgage Association. (Shen, Zi-Xiang) (Entered: 03/31/2016)
04/01/2016		SO ORDERED - re 5 Motion for Pro Hac Vice Appearance of Attorney Michael J. Walsh, Jr. and Jeffrey W. Kilduff filed by Federal National Mortgage Association. Ordered by Judge Gregory M. Sleet on 4/1/2016. (mdb) (Entered: 04/01/2016)
04/04/2016		SO ORDERED - re 4 Motion to Stay The Case Pending a Decision on Transfer to MDL Proceedings filed by Federal National Mortgage Association, Case stayed. Ordered by Judge Gregory M. Sleet on 4/4/2016. (mdb) (Entered: 04/04/2016)

EXHIBIT I

**UNITED STATES DISTRICT COURT
FOR THE Northern District of Illinois – CM/ECF LIVE, Ver 6.1
Eastern Division**

Christopher Roberts, et al.

Plaintiff,

v.

Case No.: 1:16-cv-02107
Honorable Edmond E. Chang

The Federal Housing Finance Agency, et al.

Defendant.

NOTIFICATION OF DOCKET ENTRY

This docket entry was made by the Clerk on Friday, April 8, 2016:

MINUTE entry before the Honorable Edmond E. Chang: On review of the defense motion to temporarily stay [23], the Plaintiffs' response, and the defense reply, the Court grants the stay motion until the MDL Panel decides the transfer motion. The MDL Panel is the right forum to consider the Plaintiffs' arguments, and there is no harm to the Plaintiffs (at least, no harm that the MDL Panel itself will not be considering) in staying this case until then. If the MDL Panel denies the transfer motion, and if the decision is issued more than 14 days before the next status hearing, then the parties shall promptly file a joint, concise motion to accelerate the next status hearing. The defense extension and expansion motion [26] is terminated as moot in light of the stay. If the MDL Panel denies the motion to transfer, then the Court will set the dismissal–motion deadline and page limits at the status hearing. The status hearing of 04/11/2016 is reset to 06/28/2016 at 09:00 AM. Emailed notice (slb,)

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