EXHIBIT D

IN THE UNITED STATES COURT OF FEDERAL CLAIMS

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FAIRHOLME FUNDS, INC, et al., :

Plaintiffs, :

v. : Case No. 13-465C

THE UNITED STATES, :

Defendant. :

- - - - - - - - - - - - - - - - X

Washington, D.C.

Friday, May 15, 2015

CONFIDENTIAL - PROTECTED INFORMATION TO BE DISCLOSED ONLY IN ACCORDANCE WITH PROTECTIVE ORDER

Videotaped Deposition of MARIO UGOLETTI, a witness herein, called for examination by counsel for Plaintiffs in the above-entitled matter, pursuant to notice, the witness being duly sworn by AMANDA BLOMSTROM, a Notary Public in and for the District of Columbia, taken at the offices of Cooper & Kirk, 1523 New Hampshire Avenue NW, Washington, D.C., at 9:34 a.m., Friday, May 15, 2015, and the proceedings being taken down by Stenotype by AMANDA BLOMSTROM, CRR/RMR/CLR/CSR, and transcribed under her direction.

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first three-quarters of 2012, did you also assume that FHFA was under a mandate to ensure the companies were operated in a sound and solvent manner?
A. That's another one of conservatorship, yes.
Q. And what does that mean to you?
A. Well, a sound manner means that companies, as I talked about some of the examples earlier, that they are operating their businesses under a traditional supervisory regime. Examiners go out there and look at, you know, their processes. There's a whole host of issues that a regular examiner would look at and make sure that they're doing things in a sound manner.
Q. Okay. And what about capital levels, how did that relate to soundness?
MS. HOSFORD: Objection; lack of foundation.
THE WITNESS: Well, the capital levels, the solvency aspect of that regulation was suspended shortly after the enterprises were -- or around when they were put into conservatorship.

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BY MR. THOMPSON:
Q. But does capital have to do with soundness as well?
A. Well, it does. But there was no capital, so it was suspended.
Q. When you were thinking about the future profitability of Fannie and Freddie in the first three-quarters of 2012, did you assume that the companies were going to be operated consistent with the -- consistent with the Administration's plans for them?
MS. HOSFORD: Objection; lack of foundation.
THE WITNESS: You know, I -- I don't know what the Administration's plans exactly were for them. I mean, the Administration had three years to come up with a plan for them.
And, in my view, I think, in Acting Director DeMarco's view, that plan needed to be a legislative solution. I didn't see any legislative solutions from the Administration. I saw a white paper that had three options that everybody knew what

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those options were. So it was not a -- there was not a plan for them that I -- that I saw. So consistency with a plan, no.
MR. THOMPSON: Ms. Hosford, I'm happy to keep going, but we've kind of got into a natural break point in my questioning. So I don't know if you want to take lunch now or ...
MS. HOSFORD: Well, we had talked about 12:45, but if Mr. Ugoletti is fine with lunch now, then I am fine with lunch now.
THE WITNESS: I'm a little hungry.
MR. THOMPSON: Okay. So we're off the record.
THE VIDEOGRAPHER: We're off the record. The time on the video is 12:30 p.m.
(Recess taken.)
THE VIDEOGRAPHER: We're back on the record. The time on the video is 1:34 p.m.
BY MR. THOMPSON:
Q. Now, sir, welcome back.
A. Thank you.
Q. And wanted to do, to do a little bit of

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cleanup before we got to some new topics.
With respect to the periodic commitment fee, do you know if anyone at FHFA ever tried to calculate what the value of it would be?
A. No.
Q. Okay. And do you know if anyone at Treasury ever tried to calculate the value of it?
MS. HOSFORD: Objection; calls for speculation during a particular time period.
THE WITNESS: Not that I'm aware of.
BY MR. THOMPSON:
Q. Okay. What is the basis for your statement that it would be incalculably large if no one calculated it?
A. Right, I think I went through a fair amount of that at, at the last round, but, I mean, my basis for that is it is to fully compensate Treasury for the value of the guarantee they are providing and a market value. And I do not think that there was any market value you could have put on, given their financial condition, the 100 billion that we started out, I don't even think -- I think it was very

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difficult on that. Doubling it to 200 billion and then taking on an unlimited commitment, I just don't, I don't see a market value that corresponds to that, that anybody would even come up with a price that anybody would be willing to put that amount of capital at risk in those situations.

Q. Did you discuss your view that it was an incalculably large fee or would have been with anyone at Treasury?

A. Not that I recall.

Q. Anyone at FHFA?

A. Not that I recall. The issue did not -- wasn't coming up.

Q. Yeah. And did you --

A. Nobody was looking to calculate it, so ...

Q. Okay. And at the time of the Net Worth Sweep, I'm not talking about afterwards but I'm --

A. Yeah.

Q. -- talking about at the time, had you given any thought to what the value of the periodic commitment fee would be? I mean, I understand now you're saying you think it would be incalculably

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large, but I'm saying back in August 2012 were you thinking about the size of the commitment fee?

A. Well, I don't recall any of those discussions, but I, I think that -- I mean, you may -- there was a trade-off made in the third amendment, right? The third amendment traded off a waiver, the periodic commitment fee for the Net Worth Sweep --

Q. Yep.

A. -- right?

Going back, I mean, the compensation that Treasury got prior to the third amendment -- we talked about this before -- was liquidation preference, 10 percent dividend, periodic commitment fee, warrants. After the third amendment, they got Net Worth Sweep, warrants were still out there, and their liquidation preference was still in place.

So I don't know if anybody shared that particular view, but, to me, that, the swapping out of those things, indicates that it was an incalculably large amount; and the only way that you could come up with something that approached an incalculably large amount was the earnings of the

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companies.

Q. And I'm sorry if you've answered this --

A. Yeah.

Q. -- and I'm too dense to pick up on it, but just to be clear on the record, are you -- in August of 2012, prior to the Net Worth Sweep, were you thinking along these lines? Were you thinking, You know, that periodic commitment fee is incalculably large?

MS. HOSFORD: Objection; vague question.

THE WITNESS: I -- I think that -- that's how you get from waiving -- waiving the periodic commitment fee if -- there's two different forms of compensation, periodic commitment fee that could be set -- could be set at what it was set in the third amendment at or the Net Worth Sweep. I mean, so ...

BY MR. THOMPSON:

Q. But was that, in fact, how you were looking at it? I understand you're saying, you know, you could look at it that way; but I'm saying, in fact, did you look -- you have these thoughts in August of 2012?

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A. Well --

MS. HOSFORD: Objection; ask- -- asked and answered.

THE WITNESS: -- I can't -- I can't sit here and say what I was thinking in August of 2012. That's, like, a long time ago, in August of 2012. But I don't think the view that I am -- that I've just stated about how you would think about the periodic commitment fee wasn't something I came up with after August of 2012.

BY MR. THOMPSON:

Q. When did you come up with it?

A. I don't know, but, I mean, it was something that was embedded in the whole sort of nature of the PSPAs and the substantial financial commitment that Treasury made.

Q. Now, let me ask you -- I also want to make sure the record is crystal clear on another thing that we did discuss --

A. Um-hmm.

Q. -- which was the alternatives.

If -- if we're looking at a funding

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commitment that could be diminished --
A. Yep.
Q. -- and we're thinking about alternatives, I want to make sure the record is clear as to what alternatives were considered to deal with that situation. One is the Net Worth Sweep --
A. Yep.
Q. -- correct?
Okay. A second that you described was, well, having a Net Worth Sweep but having it kick in at, you know, a particular dollar level, whether it's a hundred billion or something like that, correct?
A. That's correct.
Q. Okay. Were there any other alternatives that were discussed either internal at FHFA or at Treasury?
A. Not that I'm aware of.
Q. Okay. Was the PIK, the option of letting the companies do a payment in kind to preserve the funding commitment, discussed?
MS. HOSFORD: Objection; vague.
Considered by, discussed by whom? What

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PIK are you talking about?
BY MR. THOMPSON:
Q. Do you want me to repeat the question?
A. Yeah, that would be good.
Q. Yeah, yeah.
Was the option of preserving the funding commitment --
A. Yeah.
Q. -- by having the companies pay a 12 percent payment-in-kind dividend, was that something that was discussed at FHFA, you know, in the leadup to the Net Worth Sweep?
A. Not that I recall and for the reasons that we talked about. I mean, one of them was the basic 10 percent versus 12 percent, that it just -- that had been -- unless there was some economic aspect that would make that an economic transaction, it wasn't even part of the discussion.
So that's -- that's one that I would point to at FHFA. So it really wasn't -- it just never was on the table.
Q. Okay. Now, when you -- you've stated

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under oath that the periodic commitment fee was incalculably large in your view, right?
A. Um-hmm.
Q. And was that a phrase that you came up with or a lawyer came up with?
MS. HOSFORD: Objection. Instruct you not to answer to the extent that it involves discussions with Counsel about obtaining legal advice.
BY MR. THOMPSON:
Q. So did -- did you come up --
A. Wait, wait. I don't understand. I was instructed not to answer, right? Or --
Q. So let me -- let me --
A. You're --
Q. -- try to ask the question --
A. I want -- I want to understand the process.
Q. Sure.
A. When she says not to answer, I don't -- I don't answer; and you're trying to do another question on this.
Q. Well, you can answer, but in any event --

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MS. HOSFORD: No. I instructed you not to answer.
THE WITNESS: I've been instructed not to answer.
BY MR. THOMPSON:
Q. Okay. But -- but just, let me -- was that a phrase that you came up with, with -- wholly apart from what the lawyers told you to say, was that a phrase you came up with?
Now, if you can't answer, you can't answer.
MS. HOSFORD: Objection; calls for attorney-client privileged discussions.
I instruct you not to answer.
BY MR. THOMPSON:
Q. So I don't want to know anything about what the lawyers told you, okay? But did you independently come up with that?
MS. HOSFORD: You may answer.
THE WITNESS: I may answer?
I had another word that was similar.
BY MR. THOMPSON:

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that particular meeting was about.
BY MR. THOMPSON:
Q. Okay. Now, you did not raise the topic of the Net Worth Sweep with the companies until just a couple of days before August 17th; is that right?
MS. HOSFORD: Objection; assumes facts not in evidence.
THE WITNESS: I do not recall ra- -- I did not raise the topic with them. I'm not sure when Acting Director -- I can't, on this time line, I can't recall when Acting Director DeMarco actually -- and I'm pretty sure he called both companies and talked them through it. They did get a copy of what became close -- what became the final version to review. But that's, that's -- in terms of the time line, that's as far as I can remember.
BY MR. THOMPSON:
Q. But they weren't involved in the negotiations over the Net Worth Sweep, were they?
A. No. They weren't involved in negotiations over the PSPAs or any of the amendments to the PSPAs, or this amendment to the PSPA.

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Q. But this amendment to the PSPA was driven by a perceived problem, right?
MS. HOSFORD: Objection; assumes facts not in evidence.
BY MR. THOMPSON:
Q. A problem that their funding commitment might be exhausted, right?
A. Right, and you've showed me enough of their views on what they thought the base case looked like, so why -- what -- so I understand what their views were.
Q. Okay. But my question is: Why not talk to them and see if they have thoughts on whether there are different alternatives to solve this problem?
A. Just not an issue that we would talk to the companies about.
Q. You didn't value their opinion?
MS. HOSFORD: Objection; argumentative.
THE WITNESS: We valued their opinion and, their opinion and understand what their opinion is, I understand it.

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BY MR. THOMPSON:
Q. Okay. What was their reaction when they told all of their income would be swept to the federal government?
MS. HOSFORD: Objection; misstates the facts.
THE WITNESS: I don't, I don't recall a specific reaction that I could sit here and say --
BY MR. THOMPSON:
Q. Well, a --
A. -- this, this CEO said that, that CEO said that, I don't recall, I don't recall a specific one.
Q. Do you have a recollection of the general reaction?
A. Well, I think their general reaction was they probably were not too happy about it.
Q. Why not?
A. Well, in many camps within Fannie Mae and Freddie Mac, I mean, I think there were people, they, they certainly never liked the Treasury Department saying that they were going to be wound down. They didn't want to be wound down, right. You don't want

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to be wound down. You want to be Fannie Mae and Freddie Mac.
So to the extent that they perceived this as further somehow taking that possibility away, they might not have been very happy about it.
Q. And it did make it more remote that they would be rehabilitated because they'd never be able to build their capital under the Net Worth Sweep; is that right?
MS. HOSFORD: Objection; misstates the testimony.
THE WITNESS: Well, again, I will go back to, back to 2008 and say that if they, if they weren't, if they weren't put into conservatorship with the PSPAs, the employees would be working for our firms right now, so ...
BY MR. THOMPSON:
Q. I, I understand that, but --
A. Yeah.
Q. -- if we put ourselves and we compare Fannie Mae and Freddie Mac on August 16th, the day before the Net Worth Sweep, and August 18th, the day

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after the Net Worth Sweep, it was less likely they were going to be rehabilitated because they weren't going to be able to rebuild capital; isn't that right?

A. I don't generally believe that because the solution to this whole issue all along, in my view, needed to be a legislative solution. So if the Congress of the United States says, you know, this is all that's happened, this is all the draws, this is all the dividends, this is everything that happened, and we think Fannie Mae and Freddie Mac should be rehabilitated under this structure, and this is the housing system that we want for the next 30 years, you have a good chance to do that.

Q. Well, but, wait a minute, when you -- when the, when the Net Worth Sweep was entered into, you knew that because the companies were going to have the capital taken out of them, that when Congress eventually turned to this situation, they're going to be looking at two companies with no capital?

MS. HOSFORD: Objection. Can you tell me where in the Court's order this type of questioning

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is authorized. It seems beyond the scope of the Court's order. I'm going to direct him not to answer unless you can find --

MR. THOMPSON: Let me --

MS. HOSFORD: -- you can persuade me.

MR. THOMPSON: Let me try to tie this to the Court's order.

BY MR. THOMPSON:

Q. Do you know whether Treasury wanted to ensure that these companies did not reemerge well capitalized in the form that they had had before 2008?

MS. HOSFORD: Objection; calls for speculation.

THE WITNESS: Well, I'll speculate on that. I think Treasury had been pretty clear that they -- I mean, they were pretty clear all along from a legislative perspective that they wanted to see a wind-down and they wanted to see a new housing finance structure. I think Secretary Paulson was clear before that.

BY MR. THOMPSON:

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Q. And was that an objective that FHFA shared?

A. FHFA also believed, and I think Director DeMarco said this many times, the, the strategic plan, the second strategic plan was the next chapter in a story that needs an ending, right. The ending was for Congress to pass legislation. The ending was not for Fannie and Freddie Mac to emerge from conservatorship.

Q. And did the Net Worth Sweep further that goal?

MS. HOSFORD: Objection; calls for speculation.

THE WITNESS: I'll speculate. And, and the speculation I will give you is the answer I gave you not that long ago which was, emerging from conservatorship under the structure of the PSPAs is going to be very difficult, right. And we can recall, and we can go through that whole process again where, if they were going to emerge from conservatorship, they would have to go out and raise private equity of a hundred and 87.5 billion total

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and whatever the two were split up, 116 and 75. Raise private equity. Pay off the liquidation preference. Raise enough private equity to be able to dilute the 79,9 warrants from Treasury and raise enough private equity to do all that and become a well-capitalized institution under regulatory standards that, by the way, had changed fundamentally from when HERA was passed, because I would think in any corner of the world, if they were going to be in any corner of the United States, if there was going to be companies these -- this large, they were likely going to be systemically important financial institutions under Dodd-Frank and they were going to have to hold capital well in excess of anything that HERA or at least that pre-HERA envisioned, well in excess in anything of that. So the, the amount would have been huge.

And the PSPAs also have a provision that, given that, they don't go away. If you exit conservatorship under the PSPAs as, as you were before, the financial commitment from Treasury goes with you. That's, that's how it works. And so there

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was a provision in there that even if, even if they did all those things I talked about, and FHFA finally put the stamp of approval on them and said, By God, you did it, you've made the capital, you raised all that money, and even if we had the SIFI standard, you would meet it, and the Federal Reserve won't have to supervise you, Treasury still has to approve them coming out of conservatorship because it's still the financial backing of the PSPAs goes with them.

So did the third amendment change any of that stuff? No. Very little.

MR. THOMPSON: Now, Ugoletti 29 has a Bates number of FHFA 103596.

(Exhibit No. 29 marked.)

MS. HOSFORD: Mr. Thompson, would it be okay if we took a, like a three-minute break?

MR. THOMPSON: Sure.

THE VIDEOGRAPHER: This concludes Disk No. 3 in the video deposition of Mario Ugoletti. The time on the video is 4:44 p.m. We are off the record.

(Recess taken.)

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THE VIDEOGRAPHER: This begins Disk No. 4 in the video deposition of Mario Ugoletti. The time on the video is 4:53 p.m. We are on the record.

MS. HOSFORD: Counsel, a question: What is this document that you've handed us?

MR. THOMPSON: Oh, yeah. So your colleague had requested something that was verifiable with a URL. The prior screenshot we gave you, I believe, was from Bloomberg, and that's not -- there's no URL, you have to be a subscriber; so we wanted to give you something that had an Internet source for the same information. We've given you a CNN.com, we could also give you a Google Finance if you want.

MS. HOSFORD: But how does this document relate to this document?

MR. THOMPSON: It's the same information.

MS. HOSFORD: How did this document get created then? Is this a screenshot from the same site as this?

MR. THOMPSON: It's, it's -- it's stock price information, so you could get it from Google

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Finance, you could get it from CNN, you can get it from Bloomberg. So your colleague requested a URL, there is no URL for Bloomberg, it's a proprietary service, so what we're instead giving you is the information.

MS. HOSFORD: All right.

MR. THOMPSON: We're trying to be helpful. If it's not helpful, I apologize, and you can disregard it.

MS. HOSFORD: But I don't understand, I mean, there's different dates, different data, how -- there seems to be no relationship between this and this except --

MR. THOMPSON: Other than it's the same stocks, and the one that you have in your right hand is inclusive of all the information in your left hand.

MS. HOSFORD: So but why did you not -- why did you not give us a URL for this one?

MR. THOMPSON: It doesn't exist.

MS. HOSFORD: Well, how --

MR. THOMPSON: It's not available on the

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Internet. You have to pay Bloomberg, and so I can't give you a URL for it.

MS. HOSFORD: Oh, so you're trying to --

MR. THOMPSON: I'm trying to be helpful. Your colleague said, We'd like something we could verify. So I tried to give you something that was verifiable.

MS. HOSFORD: So you're trying to give me something that, that --

MR. THOMPSON: Verifies the information that we provided to the witness in a way --

MS. HOSFORD: Or this has some of the same information. It's not verifying this.

MR. THOMPSON: It has all of the same information. And if it's not helpful, I apologize. We weren't obligated to do this. We did it in a.

Spirit to try to be helpful.

Was it helpful to you, Mr. Dintzer?

MR. DINTZER: No, actually, it wasn't. But, I mean, I -- you hand -- you handed something to the witness, and you represent it's whatever -- actually, it doesn't even represent, you said it

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THE WITNESS: No, not -- not to my knowledge it had anything to do with that. I mean, my -- my take from this is, you know, we had done, as we went through earlier today, a lot of back and forth with negotiation on Treasury on these potential third PSPA amendments back in June.

And the Treasury Department has a whole process that they need to go through to try to get something that they're ready to complete. So, I mean, I just had taken it that, you know, they're working their process and, you know, when they get something that's -- they think they're ready to go, they'll let us know.

BY MR. THOMPSON:

Q. And, I'm sorry, so -- so why were they -- why was there a renewed push?

MS. HOSFORD: Objection; asked and answered.

THE WITNESS: Yeah, I -- I mean, I -- I took this to be that -- you know, we had done a lot of work on this on June. We had worked on the language in June. And, you know, the Treasury

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Department, to get a document all the way through to the Secretary and to get all their other ducks lined up in a row, it takes some time. So I figured it's somewhere over there and -- and they're working the process.

MR. THOMPSON: Okay. This next one is going to be Ugoletti 30. It has a Bates number of FHFA 102247.

(Exhibit No. 30 marked.)

BY MR. THOMPSON:

Q. So the top email is from Ms. Tagoe to you and to others, August 9th, 2012. And at the bottom is an email from a reporter with the American Banker. And this reporter, Mr. Horwitz, says in the second sentence of his email "It looks like the GSEs are vastly outperforming even the most optimistic outcome listed."

Was that true; were they "vastly outperforming even the most optimistic outcome listed"?

A. I'm not going to parse adjectives here in terms of "vastly," or whatever, but they were. I

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mean, we've talked about this numerous times. These were projections based on various -- various sources; in this case, Moody's opinion on house prices. And if Moody's was, even in the base case, if -- if markets performed better than that, they were likely to have an outperformance.

Q. Okay.

A. So, I mean, that's ...

Q. Now, Treasury had experience with writing --

A. Are you done with this?

Q. Yes, sir.

-- had experience with writing up deferred tax assets insofar as earlier in 2012, were you aware that Treasury had written back up AIG's deferred tax assets?

MS. HOSFORD: Objection; lack of foundation, also not within the scope of the Court's discovery order.

MR. THOMPSON: The deferred tax assets absolutely are, and I'm entitled to ask him if he knew whether Treasury had written up AIG's.

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MS. HOSFORD: Objection; speculative, and it has nothing to do with this case.

You may answer.

THE WITNESS: No.

BY MR. THOMPSON:

Q. Okay. FHFA reviewed Fannie and Freddie's 10-Ks and 10-Qs; is that right?

A. That is correct.

Q. Okay.

This next one is going to be Ugoletti 31. It has a Bates number of FHFA 3584 through 3738.

(Exhibit No. 31 marked.)

BY MR. THOMPSON:

Q. We have -- this is the 10-Q -- we have produced select pages. If you or DOJ wants the full 400 pages, we can print it out.

MS. HOSFORD: I'm just going to object that this is not going to represent the full document; and to the extent that Mr. Ugoletti attempts to interpret any information in this document, it will not be reliable.

BY MR. THOMPSON:

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Q. Now, sir, if we look at this document and you turn to page -- it's hard to read, but --
A. That's why I have my glasses.
Q. -- 3737, "Deferred Taxes Asset, Net," it says "Our valuation allowance decreased by $989 million to $34.7 billion during the six months ended June 30, 2012 primarily due to a decrease in deferred tax assets. After consideration of the" value "allowance, we had a net deferred tax asset of $3.1 billion, primarily representing the tax effect of unrealized losses on our available-for-sale securities. We continue to be in a tax loss carryforward position."
This reflects the fact that the companies were, in fact, decreasing their valuation allowance right on the eve of the Net Worth Sweep; isn't that right?
MS. HOSFORD: Objection; lack of foundation, assumes facts not in evidence.
THE WITNESS: I'm not the accounting expert here on -- on how -- how the deferred tax asset is -- how the valuation allowance is

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constructed, but there may be, in my recollection, that there are some portions of it that have different rules than other portions of it, but my under- -- my recollection was that when you make a determination, it is closer to an all-or-nothing determination for certain portions of it, for the large portion of it. But that's -- I'm not an accounting expert.
BY MR. THOMPSON:
Q. But FHFA would have been aware that the valuation allowance was, in fact, being reduced by 989 million?
A. Yeah, but --
MS. HOSFORD: Objection; lack of foundation, calls for speculation.
THE WITNESS: Right, and it doesn't say why it was being reduced there. I -- I don't know what portion of the rules in the deferred tax asset world that portion of the valuation allowance was being decreased by.
I don't know, maybe some of them expired, couldn't use them anymore. I -- I don't know. I

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don't know what the -- what the rationale was.
BY MR. THOMPSON:
Q. Now, if they had positive inc- -- they had positive income in the second quarter of 2012; Freddie did, right?
MS. HOSFORD: Objection; assumes facts not in evidence.
THE WITNESS: Yeah, they had positive income, but the general rules, as I understand them, on reversing a valuation allowance of a deferred tax asset require that sometime in the future you've accumulated enough income that you can do a reversal.
So whether this was for some portion of that or whether this was from -- from some other aspect of that account, all it says is, We reversed this. It doesn't say why, it doesn't say what portion of it it was, or anything else about it. So I don't know why they did it there.
BY MR. THOMPSON:
Q. Now, do you know that the Audit Committee of Fannie and Freddie every quarter were looking at the deferred tax assets in assessing whether it

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needed to be -- the valuation allowance needed to be reversed --
A. I'm generally aware of that, yes.
Q. Okay.
And the next document is going to be Ugoletti 32.
MS. HOSFORD: Thank you.
(Exhibit No. 32 marked.)
BY MR. THOMPSON:
Q. This says "Grant Thornton Questions for Fannie Mae Forecasting Group." It's got a Bates number of FHFA 95951, so it was produced to us out of the FHFA's own files. It's dated July 26, 2012.
"Fannie Mae Forecasting Group," do you know what that was?
MS. HOSFORD: Objection; lack of foundation.
THE WITNESS: Well, again, I think I described this process earlier, right, that, you know, Grant Thornton -- we went through a Grant Thornton document -- Grant Thornton, you know, does the Treasury financial statements, so every year they

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have to come in and do their valuation assessments of Treasury's holding. We went through one of those documents, so --
BY MR. THOMPSON:
Q. Okay.
A. -- as part of that process, Treasury asked FHFA if Grant Thornton can come over and talk to, I believe it was, FHFA and Fannie Mae to get information so they can help improve their calculation for Treasury's financial statements.
So I, I don't -- I don't -- I couldn't tell you now who is on the Forecasting Group, but that's the general framework. And so it was some combination, I would think, of those folks for that purpose.
Q. Okay. And if we look at this document on the second page under --
A. Let me read the first page first.
Q. Oh, take your time.
You tell me when you're ready.
A. Okay.
Q. All right. By the way, would Ms. Tagoe

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have been likely to have been a member of the Forecasting Group?
A. Either her or someone on her -- her staff, more likely.
Q. Okay. Do you know who on her staff would --
A. No, because there's people -- people have moved around and --
Q. Okay.
A. -- some people have left, so I'm not sure who -- who at this time would have been --
Q. Fair enough.
A. -- would have been that person.
Q. Okay. Well, if we look at 4, "Other Items" --
A. Yes.
Q. -- and we look at b, it says "What are the plans for the DTA?"
So that tells us that on the eve of the Net Worth Sweep, FHFA was in discussions with Fannie Mae and Grant Thornton about what -- about the DTA; is that right?

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MS. HOSFORD: Objection; lack of foundation.
THE WITNESS: Yeah, I wouldn't read it as that. I mean, you -- you just -- you just said that, I mean, they go through this process on a regular basis on evaluating what to do about the DTA. I think Grant Thornton just wants to know where they're at in that process and what they're thinking about, what -- what the -- I mean, this is -- this is a document -- a lot of these documents are taking -- like if you -- if you go up to 3.a., "What are the components of 'guaranty fee income' and 'fee and other income'?"
So Grant Thornton has a line item on Fannie Mae's balance sheet, these two line items; and they're trying to figure out, well, what's all in that line item? You know, so they're just -- they're trying to take what -- you know, a lot of what Fannie Mae has in their published information and in other materials that they have as to how are they developing things. And so this is an issue, so they want to know what the process is and what the

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thinking is on it.
BY MR. THOMPSON:
Q. And what was the --
A. My -- my --
Q. What was the thinking of Fannie Mae on --
MS. HOSFORD: Objection.
BY MR. THOMPSON:
Q. -- July 26, 2012?
MS. HOSFORD: Lack of foundation, calls for speculation.
THE WITNESS: I do not know what Fannie Mae's thinking was on July 26th. I was not part of this meeting. I did not really hear much about this issue until January or early February of the next year when the first quarter results were about to come out.
BY MR. THOMPSON:
Q. And they wanted to reverse the valuation allowance?
A. That's right.
Q. You have said that the conservator did not envision that the deferred tax assets were going to

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be written back up in 2013, right?
MS. HOSFORD: Objection; misstates prior testimony.
THE WITNESS: I think you'd have to, you'd have to go through --
BY MR. THOMPSON:
Q. Well, let me ask you: Did the conservator, on the eve of the Net Worth Sweep, envision that the deferred tax assets would be written back up in 2013?
A. As I just stated, I did not really think that this was a possibility anytime in the near future. And 2013, the early part of 2013 when this became an issue, it became an issue because, well, house prices are continuing to go up and we're going to take -- release more loss reserves, and it looks like it's more probable than not, which is a very low standard, more probable than not, that we're going to have to release the valuation allowance on the deferred tax asset.
So that is when it really came home that this was a possibility.

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Q. To you?
A. To me.
Q. Okay. But I'm asking: Do you have an opinion on whether FHFA, as conservator, knew that the deferred tax assets might be written back up in 2013?
MS. HOSFORD: Object -- objection; vague as to time period.
BY MR. THOMPSON:
Q. On the eve of the Net Worth Sweep.
MS. HOSFORD: Lack of foundation.
THE WITNESS: I, I don't know who else in FHFA or what they knew about the potential for that, but, as we've gone through here, there were -- our accountants were monitoring this situation, they were monitoring how they were doing about doing their potential, whether to revalue, they had to do it all the time, revalue or not revalue, and I do not recall knowing about that this was going to be an issue until really '13 when it became imminent that, oh, this has to happen now, and I don't know what anybody else thought about it.

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BY MR. THOMPSON:
Q. Do you know what Treasury thought about it?
MS. HOSFORD: Objection; calls for speculation.
THE WITNESS: I do not.
BY MR. THOMPSON:
Q. Okay. Now, you did know that one of the factors you look at is whether there's a three-year cumulative loss, right?
MS. HOSFORD: Objection; mischaracterizes testimony, assumes facts not in evidence.
THE WITNESS: I just said, I knew there were some tests that related to how much income, I can't -- I don't know if it was a three-year, I mean, but there was some test that you had to meet that you were going to pass this threshold and that you expected to continue to generate net income in the future to be able to use the tax asset. That's the condition for revaluing it.
BY MR. THOMPSON:
Q. And we looked at the Grant Thornton

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September 2011 projections, you recall that, for Freddie?
A. Yeah.
Q. I know it was a long time ago. Yeah.
A. Yeah.
Q. And it showed projections of roughly 5 1/2 billion out over the next 10 years; you remember that?
MS. HOSFORD: Objection; lack of foundation.
THE WITNESS: I would have to go back if you want the actual numbers, but, I mean, it showed, it showed net income being positive, I mean.
BY MR. THOMPSON:
Q. Yeah, and if, and if that condition persisted for some period of time, then -- and, and Freddie, for example, was making $5 billion a year, year after year, then the deferred tax asset would be written back up; is that right?
A. That's an accounting determination that the companies have to make.
Q. Yes.

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A. Because they have to sign their financial statements, so the companies have to go through the process of evaluating this accounting question on a regular basis, and between the co- -- the companies and their auditors, when they think they are in a place where they've hit the thresholds for reversing a valuation off or putting one on, they are going to follow GAAP because that is what they do.
Q. But did you ha- -- I understand you're saying that's an accounting issue for the companies. Did you have an opinion on that, as to whether if Freddie, for example, made $5 billion year after year, whether the deferred tax asset would be written back up?
A. It's not --
MS. HOSFORD: Objection; asked and answered.
THE WITNESS: Yeah, I'm not an accountant.
BY MR. THOMPSON:
Q. So you didn't have an opinion on that?
A. No, I don't have an accounting opinion on, on the DTA and the finer points of the DTA about when

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you would actually hit this trigger and what the triggers are. I generally understand what they are, but I don't have the, I'm not an accountant, I don't have the -- it -- it's not my profession.
Q. Yeah, and I don't mean to be difficult, I don't mean to be difficult, but I want to make sure the record's complete. Even if you didn't have a precise understanding of every little test to know exactly what quarter it would be written up, did you have a rough sense as to, you know, if they make 5 billion a year, year after year, that yeah, at some point in the next two, three years they're going to write it back up?
MS. HOSFORD: Objection; asked and answered, mischaracterizes prior testimony.
THE WITNESS: Yeah, and the only thing I would highlight in what you just asked me is, you said "if."
BY MR. THOMPSON:
Q. Yeah.
A. So, if they didn't, they wouldn't write it up.

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Q. Okay. But if they did, they would, right?
MS. HOSFORD: Objection; asked and answered.
THE WITNESS: Asked that -- they're going to follow what the accounting rules say and they're going to make a judgment based on what they think the accounting rules tell them to do in terms of a probability more likely than not to use that asset to write it up.
BY MR. THOMPSON:
Q. Now, were you aware that there were market commentators after the release of the second quarter profits who were saying that Fed -- Freddie and Fannie had made a convincing return to profitability?
MS. HOSFORD: Can you -- objection. Can you please put a time frame of when those statements were made. After the second quarter profits is insufficient to tell whether it's in the scope of the Court's order.
MR. THOMPSON: Within the next two or three days.
MS. HOSFORD: Within the next two or three

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days after what?
MR. THOMPSON: The release of the second quarter earnings.
MS. HOSFORD: When were the second quarter earnings released?
MR. THOMPSON: I believe it was the 6th and 7th; it might have been the 8th and 9th.
MS. HOSFORD: Of August?
MR. THOMPSON: Yes.
MS. HOSFORD: Thank you.
THE WITNESS: No, I wasn't following what the market commentators were saying. It was a good quarter. That's, that's good. We were hap- -- we were happy it was a good quarter, their underwriting had improved, they were starting to earn some income. But because the market commentators said they had a good -- good quarter and something else is, is a response. That's nice to know. But, I mean, I'm going to ...
MR. THOMPSON: Okay. Let's look at the next one, which will be Ugoletti 32, FHFA --
THE WITNESS: 33.