<u>**The Counterfeiting of Shares of Fannie Mae and Freddie Mac**</u>

Where are Our Regulators and Who are They Protecting?

Executive Summary – Report Dated September 17, 2008[1]

Fannie Mae and Freddie Mac are publicly traded Government Sponsored Enterprises ("GSEs"), a quasi – partnership between the private sector and the government. The shares of the GSEs trading in the public markets have been counterfeited and deliberately manipulated. This is not rocket science; known ownership of the GSEs shares exceeded the number of shares that were available. Counterfeiting shares of the GSEs caused their stock prices to collapse. The regulators turned a blind eye to the takedown, encouraged it or were not effective enough to recognize it and enforce the laws against market manipulation that have existed since the 1930s. The industry and the regulators have little room for a plausible deniability claim that they did not know what was occurring in the trading of the GSEs.

Without the counterfeiting of the GSEs shares and the concerted effort to manipulate the stock prices, the GSEs potential to raise significant capital would have been much greater and it is unlikely that the U.S. taxpayers would be the conservators of these companies at this time.

This report shows why this is true and that illegal sellers of the shares of the two GSEs made a vast sum of money taking down these companies to the detriment of the U.S. citizens. This report names who the key market participants are in the trading of the GSEs.

Fannie Mae and Freddie Mac were Conservative Investments

Fannie Mae has been the backbone of the secondary U.S. mortgage market since 1938 and Freddie Mac since 1970. The GSEs hold approximately 50% of U.S. mortgages and account

[1] Historically, when the issue of Wall Street firms selling stock they do not own has been brought to the attention of large Wall Street firms and the financial media they own, their response has been to shoot the messenger so the truth of the message can be ignored. This has played out time after time when the subject has been addressed and those commentators who have continued to call for Wall Street to stop the practice have been pressured by the industry to drop the issue. The DTCC has publicly published information to discredit economists who have written about the subject. Even the former Chairman of the SEC, Harvey Pitt claims that when he publicly discusses naked short selling, the DTCC contacts him. This is not the time for these types of games to be played in this country as we are facing very difficult times ahead because of the counterfeiting of U.S. assets. Therefore, at this time, this report comes without an author to discuss, leaving only the data to discredit. All data is supported by citations and is easily reproducible to verify the accuracy of the information.

for 70% of new mortgages. Both companies have been considered and recommended as conservative investments for public shareholders, with an implied financial support of the U.S. government. It follows that ownership by both domestic and foreign private citizens is significant. Regional banks and other conservative investment businesses also own shares in the GSEs.

Counterfeiting of the GSEs

Because of these types of ownerships, there are a limited number of shares available to be owned by large domestic and foreign investment firms, pension funds, mutual funds and other firms considered to be 'institutional' owners of stocks who must file a quarterly report of ownership with the Securities & Exchange Commission ("SEC").

All of this legal ownership should result in a very limited supply of shares to trade in the public markets. However, there has in fact been an unlimited supply of the GSEs' shares trading in the markets. This unlimited supply is a result of counterfeiting these GSEs' shares.

Illustrating the magnitude of the counterfeiting is the fact that, for the last year, institutions that must file ownership reports with the SEC claim ownership of virtually all of the stock the GSEs have issued for trading. This leaves little, if any, stock available to be legally owned by any other investors. There should be a very small amount of stock available to trade in the public markets.

The market manipulation of the GSEs began in October 2007 when virtually all shares outstanding were reported to be owned by just the institutional investors. Since October 2007, the GSEs have traded over **16 billion** shares. This trade volume is ten times more shares than the GSEs issued. Throughout this time period, the reporting institutions owned all of the 1.6 billion GSEs shares. Where did this very large supply of additional shares come from? The only logical explanation is from counterfeiting.

The Regulators Know About the Counterfeiting

The GSEs should be trading in a normal well-functioning supply and demand marketplace, as the U.S. markets are designed to be. When shares are artificially supplied through counterfeiting, the real shares are diluted and the value of the real shares declines. This is exactly what happened in the trading of Fannie Mae and Freddie Mac, which caused over a 90 billion dollar decrease in the value of the GSEs.

At a time when it was obvious that all of the shares were owned by institutions and individuals, billions of shares continued to trade. This should have red flagged the regulators that there was a high probability of illegal activity and possibly a concerted effort to attack the GSEs and decimate their value. The professional market participants have a duty to report suspicious transactions and failed to do so.[2] Cooperation of large prime brokers, market makers and clearing firms was required to manipulate these stocks.

The GSEs' shares that had failed to deliver for settlement at the National Securities Clearing Corporation ("NSCC")[3] were zero on June 30, 2008 for both Fannie Mae and Freddie Mac. This suggests that the perpetrators of the counterfeiting have made a calculated, concerted effort to avoid the normal settlement process within the U.S. national clearance and settlement system of the NSCC, where trades are settled with shares of a company's stock. The counterfeiting scheme is being run outside the NSCC, avoiding public and regulatory scrutiny of failing to deliver shares for legal settlement while circumventing the U.S. securities laws.

The NYSE regulators could see this and have records that show illegal trades in the GSEs. The NSCC (owned by the brokers, some of whom appear to be counterfeiters) has records that show billions of shares could not have been legally settled through their settlement system. The market regulation department at FINRA, formerly known as the National Association of Securities Dealers, the SEC and the Treasury Department all have the data. All of the following information was available to these regulators, yet none stepped in to stop what was obvious illegal trading of the GSEs. In fact, the data discussed is reported to the SEC, FINRA and the NYSE. With the regulators having knowledge of market manipulation of the GSEs, instead of stopping the illegal market activity, they took conservatorship of the GSEs, which rewarded the counterfeiters who are now manipulating the GSEs to a price of zero.

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[2] SEC v. Joseph W. Pellechia, File No. 3-9718 (1999). http://www.sec.gov/litigation/admin/34-41035.txt

[3] The DTCC operates through six subsidiaries: National Securities Clearing Corporation (NSCC), The Depository Trust Company (DTC), Fixed Income Clearing Corporation (FICC), DTCC Deriv/SERV LLC, DTCC Solutions LLC, EuroCCP Ltd. and DTCC's joint venture company, Omgeo.

Counterfeiting U.S. Traded Assets and Profiting from Bankruptcy

The GSEs, other financial institutions, the airlines and other important U.S. traded companies have had their stock assets counterfeited. Pension funds, mutual funds, individual investors and other long-term purchasers of stock have unknowingly purchased counterfeit shares. When companies go bankrupt the counterfeiting fraud is concealed and as the stock becomes worthless, the counterfeiters can collect the full profit from their previous illegal selling of the counterfeit shares into the market at higher prices than zero.

A Few are Benefiting from the Suffering of the Many

The counterfeiting has occurred on a massive scale as is evidenced by the counterfeiting of just the GSEs. When the market participants are compared in stocks that appear to be under pressure from counterfeiting, the same few market participants show up as professional market makers in these stocks. Not all of Wall Street is corrupt, but there are a few powerful market makers that appear to be and the government should be fully aware of their activities.

Solution

A very large amount of capital was needed to collateralize the take down of the GSEs. Dwarfing the lost market value of the GSEs is the amount of profit gained from counterfeiting the GSEs, which could exceed 1/2 trillion dollars. This large amount of capital can be identified. The solution is to retrieve the stolen money, prosecute the illegal market participants to the fullest extent of the law and assure that this does not happen again through full enforcement of the securities laws of the United States of America.

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The Counterfeiting of Shares of Fannie Mae and Freddie Mac

A. Counterfeiting Stocks Through Electronic Delivery

Naked short selling is cute terminology developed by Wall Street to confuse the fact that this is simply a method of counterfeiting shares of U.S. publicly traded companies. At a speech at the Mayflower Hotel in Washington D.C. on November 16, 2007, former SEC Chairman Harvey Pitt stated, "Phantom shares created by naked shorting are analogous to counterfeit money."[4]

The counterfeiting of shares is not new and it has been debated at the SEC for a decade. The following 1988 Forbes article titled, "Naked Came the Short Sellers,"[5] shows that counterfeiting of U.S. securities is not a new scheme. The 1988 article describes in simple terms what is still happening in today's markets but it is no longer a small company problem:

> "Not surprisingly, naked shorting and massive bear raids have sparked a nasty debate. Small struggling companies claim that naked short-selling can destroy them. The price of their stock slips initially under the pressure of naked selling, which creates margin calls that force some holders to sell, which then causes other investors to lose confidence. The shorts loosen a stone and an avalanche ensues. A promising company is snuffed out."
>
> "The whole business of naked shorts is rather a dirty little secret, and few participants will talk openly about it. Requesting anonymity, the manager in charge of the stock loan department at one of the largest brokerage firms concedes that short positions in some Nasdaq stocks appear to be far larger than the outstanding float could possibly support. Meaning, of course, that a good part of the short positions is naked."
>
> "Naked short-selling is relatively new. It started only around five years ago. Prior to that, there was relatively little traditional short-selling in Nasdaq stocks.

[4] CAPT Luncheon, Chairman Harvey Pitt, November 16, 2007, Mayflower Hotel, Washington D.C.
[5] Forbes February 8, 1988 article: "Naked Came the Short Sellers" by Phyllis Berman with Ronit Addis.

> Why not? Because it was too difficult to borrow these relatively thin stocks—and unless they can be borrowed, they cannot be shorted in the normal way."
>
> "The major exchanges had introduced the continuous net settlement system in 1974, and that paved the way. Previously, shorts physically had to deliver to buyers the shares they borrowed. But now, transactions are recorded in each participant's account electronically. There is no essential reason to ask for delivery of securities, especially since they are marked to the market daily. Meaning: If a shorted stock goes up, the short-seller's broker has his account debited - indirectly, through the clearinghouse and the purchaser's broker has his account credited to reflect the change in price. That ensures that the short-seller's broker will make good on his client's bet."
>
> "Under these conditions, so-called fails-to-deliver rarely carry a penalty. Once broker-dealers began to tolerate fails-to-deliver among themselves, short-selling in thin stocks became easy. No longer needing to find shares to borrow, you could short to your heart's content."
>
> "Because there is a tacit agreement over-the-counter: If the seller's broker doesn't deliver, don't insist unless the customer actually demands delivery of the physical certificates, which few people do. "In all the 16 years I've been shorting stock, I've only once been bought in, that is, only once has somebody demanded delivery of the stock," confirms Drake Securities' head trader, Barry Adler."

B. The Importance of Fannie Mae and Freddie Mac to U.S. Citizens

Treasury Secretary Henry Paulson testified to the Senate Banking Committee on July 15, 2008:

> "Fannie and Freddie play a central role in our housing finance system and **must continue to do so in their current form as shareholder-owned** companies…. The GSEs now touch **70 percent of new mortgages** and represent the **only functioning secondary mortgage market**. The GSEs are **central to the availability of housing finance**, which will determine the pace at which we emerge from this housing correction…. to ensure the GSEs have access to sufficient capital to continue to fulfill their mission, the plan gives Treasury an **18-month temporary authority** to purchase – **only if necessary** – equity in

> either of the two GSEs…. Let me stress that there are **no immediate plans** to access either the proposed liquidity or the proposed capital backstop. If either of these authorities is used, it would be done so only at Treasury's discretion, under terms and conditions that **protect the U.S. taxpayer** and are agreed to by both Treasury and the GSE."[6]

C. The Regulators' Response to the GSEs' Crisis Situation

U.S. Treasury Secretary Henry Paulson, whose immediate prior employment was as the Senior Partner and CEO of Goldman Sachs, arranged for the GSEs to be placed under government conservatorship over the weekend of September 7, 2008.

Paulson's prior employment gives him special expertise in trading and in market information used to detect fraud. At the apex of the trading in Fannie Mae is Goldman Sachs, the specialist or central trader on the New York Stock Exchange ("NYSE") where Fannie Mae is listed for trading.[7] Goldman has the records readily available that are necessary to detect fraud in the trading of the GSEs and a responsibility to report fraud if detected.

It is obvious that the U.S. regulators are aware that there has been substantial fraud in the U.S. marketplace because they have the same records that are discussed below. Citations to these records are included in this document for the benefit of investigative reporters, academic researchers and regulators who have not connected the dots between stock ownership and trading. It is hard to understand why the regulators did not bring to light the massive fraud in the trading of the GSEs before their stock prices collapsed, forcing the government to take the GSEs into conservatorship. Where were the regulators? President Bush stated in an off record comment that was taped on July 22, 2008:

> "It is uncertain. There is no question about it. Wall Street got drunk. That's part of the reason I asked you to turn off your T.V. cameras. It got drunk and now it's got a hangover. The question is how long will it sober up and not try to do all these fancy financial instruments."[8]

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[6] Testimony by Secretary Henry M. Paulson, Jr. on GSE Initiatives before the Senate Banking Committee, July 15, 2008. http://www.ustreas.gov/press/releases/hp1080.htm
[7] NYSE.com – Specialist listing: http://www.nyse.com/about/listed/lcddata.html?ticker=FNM
[8] http://www.youtube.com/watch?v=_3KhvAAHXf8

D. Accounting for the Shares of the GSEs Trading in the Marketplace

1. All of the GSEs' Shares Outstanding were Owned by Institutions

From the fourth quarter of 2007 through the latest reporting date of June 30, 2008, virtually all of the shares issued by the GSEs were owned just by the reporting institutional firms, which for example included, Ohio Public Employees Retirement System, New York State Common Retirement Fund, Kentucky Teachers' Retirement System, New York State Teachers Retirement System, Colorado Public Employees' Retirement Association, Michigan Department of Treasury, Ontario Teachers' Pension Plan Board, State Teachers Retirement System of Ohio, California State Teachers Retirement System and Teacher Retirement System of Texas. These pension funds, other institutional holders and private shareholders have now been virtually wiped out in their GSE investments.

Other investors that are not reporting institutions also held shares, so the increased trading volume is illogical considering that the reporting institutions and private investors owned all of the shares. Table 1 shows the shares outstanding and the institutional ownership of the GSEs. All of the shares issued by the GSEs were over 100% owned. This shows that even institutional holders have purchased shares that were not issued by the GSEs.

Table 1 - Institutional Holdings Above Shares Outstanding

Quarter Ended	Shares Outstanding	Institutional Holdings	Difference in Shares Outstanding and Shares Held by Institutions	% of Shares Owned by Institutions to Shares Outstanding
Fannie Mae				
2008-06-30	1,076,594,797	1,220,879,260	144,284,463	113%
2008-03-31	982,319,990	1,005,483,871	23,163,881	102%
2007-12-31	974,104,578	979,973,142	5,868,564	101%
Freddie Mac				
2008-06-30	647,008,105	729,247,840	82,239,735	113%
2008-03-31	646,722,000	690,533,965	43,811,965	107%
2007-12-31	646,266,701	657,138,057	10,871,356	102%

2. Excessive Trade Volumes

The GSEs were targeted to be taken down on or around October 15, 2007. Prior to this date, the GSEs were relatively low volume traded stocks for their size, averaging a combined 9.7 million shares traded per day.

From October 15, 2007 to July 7, 2008 (182 trading days), the combined trading volume increased to an average of over 35 million shares per day for over 6.3 billion shares sold in this period. At all times during this period, considering institutional ownership and other investor ownerships, all shares outstanding of the GSEs were owned and there were not enough real shares available to support the trading of 6.3 billion shares of the GSEs.

From July 7, 2008 through September 5, 2008 (44 trading days), the average daily traded volume of the GSEs soared to over 210 million shares per day for a total trade volume of over 9.2 billion shares. This is 6 times the total number of shares outstanding of the GSEs trading in just these 44 days. Table 2 shows these three trading periods.

Table 2 - Pre and Post Large Scale Selling Periods of Fannie Mae and Freddie Mac

Trading Periods	# of Trading Days	Fannie Mae Avg. Daily Volume	Freddie Mac Avg. Daily Volume	Combined Avg. Daily Volume	Total Volume for Period
Pre					
1/26/07-10/15/07	182	5,860,991	3,884,192	9,745,183	1,773,623,312
Post					
10/15/07-7/7/08	182	20,199,652	14,941,232	35,140,884	6,375,441,200
Recent					
7/7/08-9/5/08	44	99,892,585	110,619,762	210,512,347	9,262,543,250

On September 8, 2008, after the U.S. government officially took Fannie Mae and Freddie Mac into conservatorship, Fannie Mae and Freddie Mac together had a trade volume for that day of 943 million shares. This was an extraordinary day in the trading. This trading appears very suspicious and seems to be an additional attempt to drive the stock price of the GSEs to zero, even under government conservatorship with large sums of taxpayers' money at risk.

3. Are the Institutions the Source of the Large Selling Volume

There were 817 reporting institutions that owned shares of Fannie Mae from March through June of 2008 and 691 institutions that owned shares of Freddie Mac. With the ownership of the GSEs so tightly held by institutions, the institutions could have been the source of the large supply of shares trading in the GSEs market. The evidence however, does not support this.

Looking at just the top 50 largest institutional holders in Fannie Mae on March 31, 2008, they owned over 80% of the institutional holdings in Fannie Mae. These institutions bought 235 million shares, but sold only 53 million shares between March 31, 2008 and June 30, 2008, for a net gain during the period of 182 million shares purchased of Fannie Mae. These top 50 institutional holders are attached as Exhibit A – Fannie Mae Top 50 Institutional Holders and Exhibit B – Freddie Mac Top 50 Institutional Holders.

Institutional holders are ranked by five investment turnover strategies as; 1) very high, 2) high, 3) medium, 4) low and 5) very low. Medium to very low turnover ratings reflect conservative strategies of buying and holding investments. The GSEs were a conservative investment and this is reflected by its investing institutions whose investment turnover strategies are ranked medium to very low. Of the top 50 institutional holders of Freddie Mac, 49 holders are ranked medium to very low in turnover and of the top 50 holders of Fannie Mae, 48 are ranked in these same categories of turnover of investments. These rankings by institutional turnover are attached as Exhibit C - Fannie Mae Top 50 Institutional Holders Turnover Ratings and Exhibit D – Freddie Mac Top 50 Institutional Holders Turnover Ratings.

The institutions do not appear to be the source of the large supply of the shares trading in the marketplace. They have been significant net buyers of the GSEs, which shows that the GSEs could have raised capital from institutional investors on their own absent the stock manipulation.

4. The Supply of Shares Trading Could Not be Short Sales

In a legal short sale the seller borrows and sells real shares in anticipation of a price decline, then delivers the real shares to a new purchaser. The short seller must eventually purchase shares in the open market and return the shares to the lender to complete the transaction. The short seller hopes the price declines so the shares can be purchased at a price lower than what the shares were originally borrowed at and the difference between these two prices would be their profit. These short sale transactions are reported short at the time of sale and are reported to the public marketplace as short interest (the net of all short positions), which are reported bi-monthly by clearing firms.[9]

Institutions purchased and held more shares than were sold short from September 30, 2007 through June 30, 2008. Therefore, shorted shares cannot explain the excessive trade volumes in the GSEs. Table 3 shows the combined reported short interest in the GSEs compared to the GSEs trading volumes for each reporting period.

Table 3 - Combined Short Interest in Fannie Mae and Freddie Mac

Settlement Date	Short Interest	Change in Short Interest for Period	Trade Volume Between Periods
2008-08-15	259,979,621	-5,864,194	1,103,683,530
2008-07-31	265,843,815	5,530,338	3,912,397,050
2008-07-15	260,313,477	38,821,393	643,947,490
2008-06-30	221,492,084	3,769,108	304,869,479
2008-06-13	217,722,976	20,872,586	268,014,164
2008-05-30	196,850,390	29,407,564	311,213,528
2008-05-15	167,442,826	27,853,833	409,429,309
2008-04-30	139,588,993	14,759,002	307,734,180
2008-04-15	124,829,991	16,124,016	327,150,319
2008-03-31	108,705,975	-28,608,836	704,326,340
2008-03-14	137,314,811	17,285,794	782,822,570
2008-02-29	120,029,017	28,107,838	253,409,302
2008-02-15	91,921,179	18,519,970	270,368,221
2008-01-31	73,401,209	6,549,626	397,141,168
2008-01-15	66,851,583	12,893,827	211,290,816
2007-12-31	53,957,756	5,332,630	257,637,754
2007-12-14	48,625,126	-36,734,200	385,669,409
2007-11-30	85,359,326	42,779,577	572,696,328
2007-11-15	42,579,749	1,173,189	228,610,531
2007-10-31	41,406,560	9,897,242	152,972,356
2007-10-15	31,509,318		
Totals		228,470,303	11,805,383,844

[9] NASDAQ provides the following definition of short interest: The total number of shares of a security that have been sold short by customers and securities firms that have not been repurchased to settle outstanding short positions in the market; the net short positions outstanding in the stock as of the settlement date.

Since institutions purchased all of the increased 228 million shorted shares during this time and they owned virtually all of the shares outstanding, there should be few shares to trade. Again, this does not take into consideration ownership by anyone other than the reporting institutions. It appears that primarily what is trading in the market of the GSEs is nothing but thin air, counterfeit shares flooding the marketplace.

5. Institutions Own Counterfeit Shares of the GSEs

The (shares outstanding) added to the (short interest) equals the total legal amount of (shares available). (shares outstanding + short interest = all legally tradable shares)

In Fannie Mae, the available shares on June 30, 2008 were 1,215,282,472 shares. The institutional holdings[10] on June 30, 2008 totaled 1,220,879,260 shares, leaving 5,596,788 counterfeit shares owned by institutions that were illegally sold as if the GSEs had issued the shares. This reported institutional ownership does not account for non-reporting banks, investment funds and private investor ownership, both foreign and domestic, which is believed to be a significant number of shares. Freddie Mac's available shares on June 30, 2008 were 729,812,514 shares, but the institutional holdings were 729,247,840 shares or 99.9% of all shares outstanding and sold short.

The following table shows the short interest and shares outstanding compared to the institutional holdings for both Fannie Mae and Freddie Mac for June 30, 2008.

[10] Source: FactSet Research Systems Inc. (www.nasdaq.net). The institutional holders as of September 8, 2008 for both Fannie Mae and Freddie Mac are understated, because over 20 institutions for each company had yet to file their holdings.
Fannie Mae institutional holdings
http://www.nasdaq.com/asp/holdings.asp?symbol=FNM&selected=FNM&FormType=Institutional
Freddie Mac institutional holdings
http://www.nasdaq.com/asp/holdings.asp?symbol=fre&selected=fre&FormType=Institutional

Table 4 - GSE Shares Outstanding Plus Short Interest vs. Institutional Ownership June 30, 2008

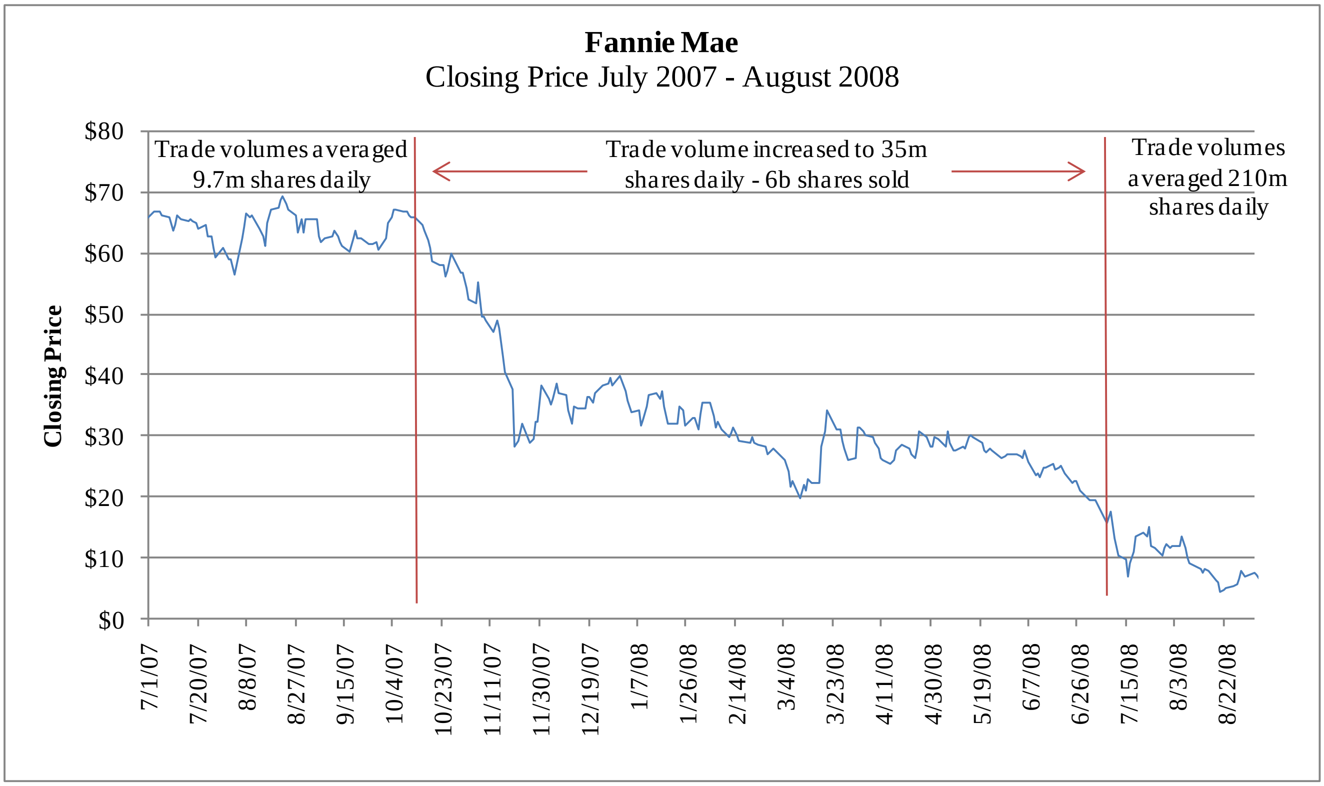
Quarter Ended	Short Interest	Shares Outstanding	Legal Shares Available to Own	Institutional Holdings	% of Available Shares (Outstanding Plus Shorted Shares) owned by Institutions
Fannie Mae					
2008-06-30	138,687,675	1,076,594,797	1,215,282,472	1,220,879,260	100.46%
Freddie Mac					
2008-06-30	82,804,409	647,008,105	729,812,514	729,247,840	99.92%

E. Summary of Share Ownership of the GSEs

The ownership of all shares outstanding can be accounted for by institutional and other ownerships of the GSEs. The institutions alone purchased more shares than were legally outstanding and shorted. While there is some slight movement of these shares, the institutions were largely net buyers not sellers of the GSEs. Where did the supply of shares come from to trade 16 billion shares of the GSEs from the time of the initiation of the Wall Street directed take down of the GSEs beginning in October 2007? When the above sources of stock are eliminated as the providers of the large supply of shares, only counterfeit shares remain as the answer to the question of where a massive supply of GSEs shares could be generated from.

This counterfeiting of shares put enormous pressure on the pricing of the GSEs. Chart 1 shows Fannie Mae's price decline caused by the illegal activity; Freddie Mac mirrors Fannie Mae's chart.

Chart 1 – Price Trends of the GSEs Under Large Scale Selling Pressure, October 15, 2007 to July 7, 2008



F. Naked Short Sales – i.e. Counterfeit Stock and The SEC's Emergency Order

During the period of July 7, 2008 to September 5, 2008, a 44 day trading period, the GSE stock trading dramatically intensified to over 9 billion shares. On July 15, 2008, the SEC announced an emergency order to stop naked short selling in the GSEs that took effect on July 21, 2008.[11] In a naked short sale, the seller does not borrow real shares to deliver for settlement of the trade entered into, i.e. the transaction is not completed with real shares, which as the SEC has implied can have a very disruptive and negative impact for the market price of a security.

Instead of the SEC's order against naked short selling curbing the illegal behavior in the GSEs, the practice continued. In theory, the government's actions to protect the GSEs should have calmed the trading, but it had just the opposite effect. It appeared that the counterfeiters of

[11] SEC Enhances Investor Protections Against Naked Short Selling, Securities Exchange Act of 1934 Release No. 58166, July 15, 2008.

stock were relentless in their determination to manipulate the GSEs' stock prices and they continued to manufacture shares.

Neither the regulators nor the financial press have asked the obvious question; Where are all of the GSE shares coming from that are being sold?

On December 6, 1991, Congress released Congressional Report H. R. 102-414, titled "Short Selling Activity in the Stock Market: Market Effects and the need for Regulation (Part One)", based on a study by the Commerce Consumer and Monetary Affairs Subcommittee. Part Two of this report was never released. Congress found suspicious transactions in stocks trading on the American Stock Exchange and looked at market manipulation and naked short selling investigations undertaken by the American Stock Exchange and the SEC and concluded:

> "Moreover, the inadequacies found by the subcommittee should have been evident to the SEC but apparently were never detected. The committee finds, therefore, that the SEC's response and follow up to the American Exchange surveillance report were superficial and did not represent a serious effort to investigate the company charges of manipulation by short sellers."

G. Fails to Deliver Preceding the Emergency Order

An interesting aspect of the emergency order is that all naked short selling was prohibited and only if shares were pre-borrowed for short sales could they be executed. The government allowed market makers to temporarily sell shares, if needed, to run an orderly market in the GSEs without first borrowing shares, but they still had to settle the transactions within the normal three-day delivery period. This should have greatly constrained trading, but that did not occur and the supply of shares remained unlimited. When asked how the SEC was monitoring for abusive trading during the emergency order, SEC Chairman Christopher Cox replied that the SEC was monitoring for fails to deliver at the NSCC.

There were no fails to deliver on June 30, 2008 for the GSEs, when **obviously** there should have been. In fact, both Cox and Paulson stated that they did not find abusive trading in these stocks prior to the emergency order, but instituted the order for preventative reasons. Chairman Cox stated: "This is a prophylactic measure. A run on the bank that can take hold quickly would likely be turbo-charged by illegal naked short selling."[12] It is hard to fathom that with the sophistication of the SEC and Treasury Department's investigative tools that just this one metric of fails to deliver would be the only market information used to determine if the emergency order was being complied with, but that is what Chairman Cox stated in the following interview on CNBC on July 16, 2008:

> BURNETT: How are you going to enforce it? It seems like the biggest issue to begin with would be enforcing. How are you going to enforce that the stock is (inaudible) located and delivered exactly as you're now saying it must be for those companies?
>
> COX: Both the Securities and Exchange Commission and the SROs[13] have ample enforcement in place already. We are able already to monitor fails to deliver. We'll be able to see whether or not shares are actually delivered within three days, for example. And so I don't think enforcement's going to be a problem here.
>
> BURNETT: Enforcement will not be a problem?
>
> COX: No.[14]

Since short sales had to be pre-borrowed and delivered for legal settlement by everyone except the market makers, some of the market makers appear to have violated the emergency order. Many of the market makers of the GSEs can be identified and will be discussed below.

Without shares failing to deliver at the NSCC, it appears that regulators cannot find fraud in the market. Counterfeiters of securities can bypass the NSCC system and carry out their operation by failing to deliver shares outside the NSCC system, commonly referred to as ex-clearing (an agreement between market participants to clear trades with each other rather than at the NSCC). The SEC does not regulate fails to deliver outside of the NSCC system.[15]

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[12] U.S. SEC says proper short sales seen unaffected, July 16, 2008, Reuters.
[13] SRO: Self-Regulatory Organization.
[14] http://www.cnbc.com:80/id/15840232?video=795065904&play=1

H. Legitimate Short Sales Appear to be Curtailed During the SEC Emergency Order

All reports from the securities lending industry indicated that demand for legitimate borrowing of shares declined dramatically during this period. An industry data processor of 15 billion transactions per day, S3 Technologies, reported that short selling in Fannie Mae and Freddie Mac dropped 90% when the emergency order was implemented.[16]

Short interest was reported on July 15, 2008 and July 31, 2008. The combined reported short interest for the GSEs during this emergency order period increased by only 5.5 million shares, supporting the fact that legitimate short selling was curtailed under the order. However, in this 12 day trading period the GSEs traded over 3.5 billion shares or over two times the total number of shares issued for trading by the GSEs. Many of these shares sold do not appear to be shares owned by the sellers and were not sold short in accordance with the securities laws, i.e. they were counterfeit shares sold as if the GSEs issued the shares.

The market makers are the most likely sellers of the counterfeit shares during this time because other market participants were not allowed to short sell without pre-borrowing shares for settlement and in this 12 day period examined, this amount only accumulated to 5.5 million increased shorted shares. The majority of the 3.5 billion shares sold, that were not sold by legitimate investors who owned the shares, must logically be a supply of shares counterfeited by the market makers.

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[15] Division of Market Regulation: Responses to Frequently Asked Questions Concerning Regulation SHO, Question 5.3: Does the close-out requirement apply to delivery failures that do not occur at a registered clearing agency? Answer: We interpret the close-out requirement to apply only to fail to deliver positions at a registered clearing agency. Our interpretation is based on our understanding that transactions conducted outside the Continuous Net Settlement System ("CNS") operated by the National Securities Clearing Corporation ("NSCC") are rare. If this historical pattern changes and a significant level of fails are not included in CNS, we will reconsider this position. http://www.sec.gov/divisions/marketreg/mrfaqregsho1204.htm

[16] SEC Emergency Order Leads to Dramatic Drop in Short-Selling of Fannie Mae and Freddie Mac Securities, Market Wire, July 23, 2008.

I. Market Participants Actively Trading Fannie Mae and Freddie Mac

The primary market makers in these two GSEs are Goldman Sachs (Fannie Mae) and LaBranche & Co. (Freddie Mac).[17] These are the specialists on the NYSE where the GSEs are listed, thus all trades executed on the NYSE in the GSEs must flow through these market makers.

The largest trading electronic exchange network appears to be Direct Edge, who is owned by Goldman Sachs, Knight Capital Group and Citadel Derivatives Group. Knight and Citadel are also registered market makers on the NASDAQ trading the GSEs.

The following table shows the registered market makers on the NASDAQ Stock Market in the GSEs. These are most, if not all, of the registered market makers trading the stock of the GSEs.

[17] NYSE.com Specialist listing: http://www.nyse.com/about/listed/lcddata.html?ticker=FRE

Table 5 – Registered Market Participants in Fannie Mae and Freddie Mac on the NASDAQ[18]

Firm Name	Regularly Trading Freddie Mac	Regularly Trading Fannie Mae	Clearing Firm
Bernard L. Madoff Investment Securities LLC	Yes	Yes	Bernard L. Madoff Investment Securities LLC
Cantor Fitzgerald & Co.	Yes	Yes	Cantor Fitzgerald & Co.
Citadel Derivatives Group LLC	Yes	Yes	Citadel Derivatives Group LLC
Cowen and Company, LLC	Yes	Yes	National Financial Services Corporation
Domestic Securities, Inc.	Yes	Yes	Penson Financial Services, Inc.
E*Trade Capital Markets, LLC	Yes	Yes	E*Trade Capital Markets, LLC
Finance 500, Inc.	**No**	Yes	Penson Financial Services, Inc.
Fox-Pitt, Kelton Incorporated	**No**	Yes	Pershing, L.L.C.
Hudson Securities, Inc.	Yes	Yes	Goldman Sachs Execution & Clearing, L.P.
J.P. Turner & Company, L.L.C.	**No**	Yes	National Financial Services Corporation
Keefe, Bruyette & Woods, Inc.	Yes	Yes	Pershing, L.L.C.
Morgan Stanley & Co., Incorporated	Yes	Yes	Morgan Stanley & Co., Incorporated
Murphy & Durieu	Yes	Yes	Ridge Clearing and Outsourcing Solutions, Inc.
Octeg, LLC	Yes	Yes	Octeg, LLC
Pershing LLC	Yes	Yes	Pershing LLC
Robert W. Baird & Co. Incorporated	Yes	Yes	Robert W. Baird & Co. Incorporated
Spartan Securities Group, Ltd.	Yes	Yes	Penson Financial Services, Inc.
StockCross Global	Yes	Yes	Penson Financial Services, Inc.
Susquehanna Capital Group	Yes	Yes	Merrill Lynch Professional Clearing Corp.
The Vertical Trading Group, LLC	Yes	Yes	Jefferies & Co., Inc.
Timber Hill LLC	Yes	Yes	Timber Hill LLC
Trimark Securities, Inc.[19]	Yes	Yes	Merrill Lynch, Pierce, Fenner & Smith Inc.
UBS Securities LLC	Yes	Yes	UBS Securities LLC
William Blair & Company L.L.C.	Yes	Yes	William Blair & Company L.L.C.

J. Pattern and Practice by the Same Market Participants

Other stocks that appear to be under stress, as discussed in the news media that may need government assistance or may go bankrupt because they cannot raise capital with their depressed stock prices are: Washington Mutual Inc., Lehman Brothers Holdings, Inc., American International Group Inc., National City Corporation, Wachovia Corporation and Ford Motor Company. These stocks also appear to be counterfeited. Of these eight NYSE listed companies, seven of these companies have the same specialists (NYSE market makers) as the GSEs,

[18] Source: NASDAQTrader.com
[19] A division of Knight Trading Group.

Goldman Sachs' Spear, Leeds & Kellogg division or LaBranche & Co. where all trades on the NYSE must flow through. Table 6 shows these eight companies and their specialists.

Table 6 – The NYSE Specialists for These Under Stress Securities

Security Name	**Specialist**
Fannie Mae	Spear, Leeds & Kellogg Specialists LLC
Freddie Mac	LaBranche & Co
Washington Mutual	Spear, Leeds & Kellogg Specialists LLC
Lehman Brothers	Spear, Leeds & Kellogg Specialists LLC
American International Group Inc	Spear, Leeds & Kellogg Specialists LLC
National City Corporation	Banc of America Specialist
Wachovia Corporation	LaBranche & Co
Ford Motor Company	LaBranche & Co

These publicly traded companies share another common bond; they are traded mostly by the same market makers as the GSEs from the NASDAQ Stock Market. Table 7 lists the market participants registered on the NASDAQ Stock Market trading the GSEs, Washington Mutual Inc., Lehman Brothers Holdings, Inc., American International Group Inc., National City Corporation, Wachovia Corporation and Ford Motor Company.

Table 7 – Active Market Participants in these Companies Registered on the NASDAQ

Firm Name	Clearing Firm	Number of These 8 Stocks the Firm is Currently Trading
Bernard L. Madoff Investment Securities LLC	Bernard L. Madoff Investment Securities LLC	6
Biltmore International Corporation	Jefferies & Co., Inc.	5
Citadel Derivatives Group LLC	Citadel Derivatives Group LLC	8
Cowen and Company, LLC	National Financial Services Corporation	8
Domestic Securities, Inc.	Penson Financial Services, Inc.	8
E*Trade Capital Markets LLC	E*Trade Capital Markets, LLC	8
Hill Thompson Magid and Co., Inc.	Hill Thompson Magid and Co., Inc.	5
Hudson Securities, Inc.	Goldman Sachs Execution & Clearing, L.P.	8
Keefe, Bruyette & Woods, Inc.	Pershing, L.L.C.	7
Morgan Stanley & Co., Incorporated	Morgan Stanley & Co., Incorporated	8
Murphy & Durieu	Ridge Clearing and Outsourcing Solutions, Inc.	4
Octeg, LLC	Octeg, LLC	8
Pershing LLC	Pershing LLC	8
Puma Capital, LLC	Ridge Clearing and Outsourcing Solutions, Inc.	5
Robert W. Baird & Co. Incorporated	Robert W. Baird & Co. Incorporated	7
Seton Securities Group, Inc.	Jefferies & Co., Inc.	4
StockCross Global	Penson Financial Services, Inc.	4
Susquehanna Capital Group	Merrill Lynch Professional Clearing Corp.	8
The Vertical Trading Group, LLC	Jefferies & Co., Inc.	7
Timber Hill LLC	Timber Hill LLC	8
Trimark Securities, Inc.	Merrill Lynch, Pierce, Fenner & Smith Inc.	8
UBS Securities LLC	UBS Securities LLC	8
William Blair & Company L.L.C.	William Blair & Company L.L.C.	8

It is obvious that some of these market makers trading the GSEs are dealing in counterfeit stock. The NYSE, FINRA, SEC and Treasury know this, but instead of enforcing the laws against this activity, they took a conservatorship of the GSEs, which they knew or should have known would benefit the counterfeiters at the cost of the U.S. taxpayers.

The Wall Street financial reporters who have analyzed the Fannie Mae and Freddie Mac debacle have so far concluded that their demise was a result of the public's failure to pay their mortgages. They are blaming the public without considering the massive fraud that was occurring and continues to occur. This fraud resulted in a vast amount of money that was stolen from the marketplace that destroyed the ability of these GSEs to raise their own capital. The GSEs are unable to raise money, as they had in the past, by selling their stock to investors.

Absent the market makers fraud, it is probable that the GSEs would have survived without taxpayer intervention.

Advisor to the U.S. Government and Market Maker

Paulson was reported to be advised by Morgan Stanley to have the U.S. government take the GSEs into conservatorship status. When the market manipulation of the GSEs began in the fourth quarter of 2007, Morgan Stanley & Co. sold 94% of their 34 million shares of the GSEs. These positions were sold to other investment, mutual and pension funds. Morgan Stanley is a market maker in the GSEs and may not have been a neutral party for Paulson to bring in as an advisor.

K. Summary of Key Points

- The number of legal shares issued by the GSEs was not sufficient to account for such large trading volumes.
- From October 2007, all shares issued for trading by the GSEs, 1.6 billion shares, were reported to be owned by just the reporting institutional investors.
- Ownership other than the reporting institutions obviously exists.
- The GSEs have traded over 16 billion shares since October 2007.
- The shares illegally supplied through counterfeiting in Fannie Mae and Freddie Mac caused over a 90 billion dollar decrease in their value.
- On June 30, 2008, when all shares available to trade were owned by reporting institutions and less than one month before the SEC's emergency order went into effect, the NSCC reported that the fails to deliver of real shares of Fannie Mae and Freddie Mac was zero.
- The zero reported fails to deliver at the NSCC are in direct opposition to the facts that show delivery failures should be significant. Basically, all of the shares are in known ownership, therefore, legal settlement of these large trade volumes from October 2007 to date with real GSE's shares, was and is not, mathematically logical.
- The ill-gotten, gains from counterfeiting the GSEs' shares appears to exceed 1/2 trillion dollars.

- Less than thirty market participants show up as professional market makers in these stocks.
- U.S. citizens' pension funds, state employee retirement accounts and other important investors in the U.S. markets have been financially harmed in these GSE investments; while the stock counterfeiters continue to profit.
- Absent the manipulation of their stocks, the GSEs could have raised significant capital. This is evidenced by the fact that mutual funds, pension funds and other large investment funds continued to purchase shares of the GSEs.
- The counterfeiters of the GSEs stock continued their relentless manipulation of the stock prices during the SEC emergency order.
- These are violations of the anti-fraud provisions of the U.S. securities laws and may violate the U.S. laws against counterfeiting. Where were the regulators?
- The NYSE, FINRA, SEC and Treasury should know there are illegal counterfeit shares trading in the GSEs because they have all of the information <u>readily available</u> to prove it.
- Instead of enforcing the laws against the illegal activity, the regulators took over conservatorship of the GSEs, which benefited the counterfeiters at the expense of the U.S. taxpayers and their future generations.

Conclusion

Certain market participants, trading illegally, appear to be making a concerted effort to take down some of the most important financial institutions in the United States. Who would counterfeit shares of these vital U.S. institutions to cause their financial collapse without regard for the U.S. citizens?

It is not possible to carry out this massive fraud without the cooperation of large Wall Street firms and regulatory complicity, indifference or lack of competence. Some firms are blatantly selling shares that do not exist.

It is impossible to ward off the downward price pressure from counterfeit shares diluting a company's value. The entire nation's value is diminished when the counterfeiting of securities is rampant.

Simply put, this is a defining moment in the history of the financial strength of the United States. Other than home ownership assets, the largest U.S. household assets are tied to the stock market through retirement accounts. If counterfeiting continues, investment and retirement accounts will be backed by nothing but counterfeit shares, which they may already be holding in substantial amounts.

To conceal the fraud perpetrated on the retirement accounts is simple, manipulate the markets to crash. The money previously plundered from these accounts remain in the hands of the counterfeiters and the statements sent by the Wall Street firms to retirement investors will reflect a crashed market value of their assets, i.e., you lost your retirement savings.

The counterfeiting of U.S. traded securities is nothing less than a fraud of epic proportions. As with other illegal stock market activity, offshore shell companies are a likely depository of the ill-gotten gains.

While U.S. citizens would like to trust that government regulators are putting the citizens first and protecting investors, this may not be the case. The ownership and trading irregularities in Fannie Mae and Freddie Mac discussed above, seem so obvious, that surely our government would have taken the steps necessary to protect investors in these very important financial institutions from fraud in the market. Unfortunately, the facts do not support that the government did enforce the securities laws against fraud and market manipulation.

It is necessary for the United States to do everything within its power to recover the enormous amount of monies that have been plundered from this country and its citizens. Bring the few illegal dealers responsible for counterfeiting stock to justice in order to assure that this United States economic disaster will never repeat itself. There is simply too much at stake to do otherwise.

Exhibit A – Fannie Mae Top 50 Institutional Holders

Federal National Mortgage Association, Fannie Mae (Symbol: FNM)

Top 50 Holders 3/31/2008

Holder Name	06-30-08 Position	03-31-08 Position
Capital Research Global Investors	116,900,866	114,960,866
Capital World Investors	67,783,817	85,406,317
AllianceBernstein LP[20]	134,168,539	77,647,605
Fidelity Management & Research	56,618,495	46,199,752
Barclays Global Investors NA (California)	43,579,046	41,356,629
State Street Global Advisors	34,734,888	31,457,288
Vanguard Group, Inc.	32,990,268	30,160,589
Lord Abbett & Co. LLC	48,894,083	25,957,091
Pzena Investment Management	21,526,697	23,829,736
Brandes Investment Partners LP	23,145,770	21,606,200
Merrill Lynch, Pierce, Fenner & Smith, Inc.	41,660,125	21,279,725
NWQ Investment Management Co. LLC	20,572,912	20,924,846
Citigroup Global Markets (United States)	47,593,082	19,020,381
T. Rowe Price Associates, Inc.	17,478,761	15,724,081
TCW Asset Management Co.	17,246,919	15,266,765
Wellington Management Co. LLP	26,250,377	14,063,811
Allianz Global Investors Kapitalanlagegesellschaft	13,082,351	13,194,504
Barclays Global Investors Ltd. (UK)	14,270,987	12,141,944
Dodge & Cox, Inc.	69,420,681	12,058,212
Capital International (UK) Ltd.	9,118,046	11,861,327
Horizon Asset Management, Inc.	11,086,792	10,988,748
TIAA-CREF Asset Management LLC	10,960,532	10,814,065
CDP Capital World Markets	0	10,671,550
Dreman Value Management LLC	10,339,136	10,421,905
Northern Trust Investments	10,912,898	10,248,841
Invesco AIM Management Group, Inc.	8,164,969	8,626,958
Janus Capital Management LLC	8,134,347	7,939,625
BlackRock Advisors, Inc.	6,261,645	7,840,239
Columbia Management Advisors, Inc.	5,526,893	7,524,237
Credit Suisse (United States)	4,225,886	7,430,149
JPMorgan Asset Management (UK) Ltd.	6,805,420	7,129,528
Capital Guardian Trust Co.	9,612,390	6,734,913
Fortis Investment Management (Netherlands) NV	6,091,679	6,424,052
Deutsche Investment Management Americas, Inc.	6,230,067	6,385,551
RiverSource Investments LLC	4,576,485	6,370,183
Hotchkis & Wiley Capital Management LLC	3,388,000	6,326,300
Mellon Capital Management	7,583,345	6,320,341
New York State Common Retirement Fund	5,822,036	5,732,438
Capital International SA Switzerland	3,675,886	4,467,136

[20] The top holder on June 30, 2008 of the 134 million shares on another NASDAQ site is listed as AXA. These shares are actually attributable to AllianceBernstein.

Geode Capital Management LLC	4,698,934	4,291,343
PPM America, Inc.	4,971,600	4,064,200
GE Asset Management, Inc.	3,482,652	4,059,782
The California Public Employees Retirement System	3,385,534	4,020,003
Salzman & Co., Inc.	5,095,200	3,946,600
Pyramis Global Advisors LLC	3,671,916	3,864,901
Norges Bank Investment Management	4,418,696	3,560,041
Wallace R. Weitz & Co.	1,686,730	3,509,160
FIL Investments International Ltd.	3,581,519	3,460,549
Oppenheimer Capital	846,683	3,401,003
JPMorgan Asset Management, Inc.	4,063,265	3,288,002

Exhibit B – Freddie Mac Top 50 Institutional Holders

Federal Home Loan Mortgage, Freddie Mac (Symbol: FRE)

Top 50 Holders 3/31/2008

Holder Name	**06-30-08 Position**	**03-31-08 Position**
Capital Research Global Investors	64,868,000	64,658,000
Legg Mason Capital Management, Inc.	53,282,703	50,244,068
AllianceBernstein LP	41,028,317	41,879,172
Capital World Investors	28,840,433	31,443,433
Pzena Investment Management	33,409,788	31,239,886
Barclays Global Investors NA (California)	26,506,215	28,474,957
Citigroup Global Markets (United States)	28,955,791	24,098,289
Hotchkis & Wiley Capital Management LLC	30,699,170	24,066,870
Brandes Investment Partners LP	25,862,685	21,168,910
State Street Global Advisors	21,443,951	21,141,389
Fidelity Management & Research	21,977,930	20,816,764
Vanguard Group, Inc.	19,901,961	20,098,835
Van Kampen Asset Management	15,471,166	15,323,770
Dreman Value Management LLC	12,113,845	12,164,107
Capital International (UK) Ltd.	8,561,330	10,924,615
Wellington Management Co. LLP	21,482,212	10,676,649
UBS Global Asset Management	18,015,126	9,799,026
Capital Guardian Trust Co.	8,822,746	9,124,646
Deutsche Investment Management Americas, Inc.	9,005,895	8,929,449
Credit Suisse (United States)	8,947,824	8,605,544
Putnam Investment Management, Inc.	8,410,740	7,588,563
JPMorgan Asset Management, Inc.	6,747,652	6,958,223
UBS AG (Global Asset Management Switzerland)	7,865,598	6,581,052
Schneider Capital Management Corp.	6,554,217	6,364,042
Northern Trust Investments	6,343,729	6,328,802
Oppenheimer Capital	171,636	6,262,679
Franklin Advisers, Inc.	5,618,420	5,637,020
Columbia Management Advisors, Inc.	4,720,830	5,073,292
TIAA-CREF Asset Management LLC	4,911,448	4,888,270
Goldman Sachs & Co.	1,802,015	4,860,806
Capital International SA Switzerland	3,658,503	4,652,203
Morgan Stanley Investment Management, Inc.	4,987,590	4,517,682
New York State Common Retirement Fund	3,554,190	4,358,990
OppenheimerFunds, Inc.	3,800	4,201,600
Mellon Capital Management	4,319,503	3,989,335
Loomis, Sayles & Co. LP	3,810,700	3,755,700
RiverSource Investments LLC	4,270,492	3,206,380
Capital International, Inc.	3,285,376	3,085,276
T. Rowe Price Associates, Inc.	3,153,797	2,908,149
Geode Capital Management LLC	2,905,235	2,862,468
The California Public Employees Retirement System	2,443,986	2,797,889
Alex Brown Investment Management LLC	2,211,264	2,706,703

Russell Investment Group	3,209,235	2,589,566
ING Investments LLC	2,217,787	2,432,387
Norges Bank Investment Management	2,711,873	2,430,497
UBS Global Asset Management (UK) Ltd.	2,076,631	2,378,299
Legal & General Investment Management Ltd.	2,567,161	2,067,598
GE Asset Management, Inc.	221,533	2,026,031
New Jersey Division of Investment	Yet to File	2,014,000
Federated Investment Management Co.	1,974,721	1,886,623

Exhibit C - Fannie Mae Top 50 Institutional Holders Turnover Ratings

Federal National Mortgage Association, Fannie Mae (Symbol: FNM)

Holder Name	06-30-08 Position	03-31-08 Position	Turnover	Type
Capital Research Global Investors	116,900,866	114,960,866	Low	Investment Adviser
Capital World Investors	67,783,817	85,406,317	Low	Investment Adviser
AllianceBernstein LP	134,168,539	77,647,605	Medium	Mutual Fund Manager
Fidelity Management & Research	56,618,495	46,199,752	Low	Investment Adviser
Barclays Global Investors NA (California)	43,579,046	41,356,629	Very Low	Mutual Fund Manager
State Street Global Advisors	34,734,888	31,457,288	Very Low	Mutual Fund Manager
Vanguard Group, Inc.	32,990,268	30,160,589	Very Low	Mutual Fund Manager
Lord Abbett & Co. LLC	48,894,083	25,957,091	Medium	Mutual Fund Manager
Pzena Investment Management	21,526,697	23,829,736	Medium	Investment Adviser
Brandes Investment Partners LP	23,145,770	21,606,200	Low	Investment Adviser
Merrill Lynch, Pierce, Fenner & Smith, Inc.	41,660,125	21,279,725	Medium	Broker
NWQ Investment Management Co. LLC	20,572,912	20,924,846	Low	Investment Adviser
Citigroup Global Markets (United States)	47,593,082	19,020,381	Medium	Broker
T. Rowe Price Associates, Inc.	17,478,761	15,724,081	Low	Mutual Fund Manager
TCW Asset Management Co.	17,246,919	15,266,765	Low	Bank Management Division
Wellington Management Co. LLP	26,250,377	14,063,811	Low	Mutual Fund Manager
Allianz Global Investors Kapitalanlagegesellschaft	13,082,351	13,194,504	High	Bank Management Division
Barclays Global Investors Ltd. (UK)	14,270,987	12,141,944	Medium	Bank Management Division
Dodge & Cox, Inc.	69,420,681	12,058,212	Low	Investment Adviser
Capital International (UK) Ltd.	9,118,046	11,861,327	Medium	Investment Adviser
Horizon Asset Management, Inc.	11,086,792	10,988,748	Low	Hedge Fund Company
TIAA-CREF Asset Management LLC	10,960,532	10,814,065	Low	Investment Adviser
CDP Capital World Markets	0	10,671,550	Medium	Pension Fund
Dreman Value Management LLC	10,339,136	10,421,905	Low	Mutual Fund Manager
Northern Trust Investments	10,912,898	10,248,841	Very Low	Bank Management Division
Invesco AIM Management Group, Inc.	8,164,969	8,626,958	Medium	Mutual Fund Manager
Janus Capital Management LLC	8,134,347	7,939,625	Low	Mutual Fund Manager
BlackRock Advisors, Inc.	6,261,645	7,840,239	Low	Mutual Fund Manager
Columbia Management Advisors, Inc.	5,526,893	7,524,237	Low	Mutual Fund Manager
Credit Suisse (United States)	4,225,886	7,430,149	Medium	Broker
JPMorgan Asset Management (UK) Ltd.	6,805,420	7,129,528	Medium	Bank Management Division
Capital Guardian Trust Co.	9,612,390	6,734,913	Medium	Investment Adviser
Fortis Investment Management (Netherlands) NV	6,091,679	6,424,052	Medium	Insurance Management Division
Deutsche Investment Management Americas, Inc.	6,230,067	6,385,551	Medium	Investment Adviser
RiverSource Investments LLC	4,576,485	6,370,183	Low	Mutual Fund Manager
Hotchkis & Wiley Capital Management LLC	3,388,000	6,326,300	Medium	Mutual Fund Manager
Mellon Capital Management	7,583,345	6,320,341	Very Low	Bank Management Division
New York State Common Retirement Fund	5,822,036	5,732,438	Very Low	Pension Fund
Capital International SA Switzerland	3,675,886	4,467,136	Medium	Investment Adviser
Geode Capital Management LLC	4,698,934	4,291,343	Very Low	Investment Adviser
PPM America, Inc.	4,971,600	4,064,200	Low	Insurance Management Division
GE Asset Management, Inc.	3,482,652	4,059,782	Low	Mutual Fund Manager
The California Public Employees Retirement System	3,385,534	4,020,003	Low	Pension Fund

Salzman & Co., Inc.	5,095,200	3,946,600	Very High	Hedge Fund Company
Pyramis Global Advisors LLC	3,671,916	3,864,901	Low	Investment Adviser
Norges Bank Investment Management	4,418,696	3,560,041	Medium	Bank Management Division
Wallace R. Weitz & Co.	1,686,730	3,509,160	Low	Investment Adviser
FIL Investments International Ltd.	3,581,519	3,460,549	Medium	Mutual Fund Manager
Oppenheimer Capital	846,683	3,401,003	Medium	Investment Adviser
JPMorgan Asset Management, Inc.	4,063,265	3,288,002	Low	Bank Management Division

Exhibit D – Freddie Mac Top 50 Institutional Holders Turnover Ratings

Federal Home Loan Mortgage, Freddie Mac (Symbol: FRE)

Holder Name	**06-30-08 Position**	**03-31-08 Position**	**Turnover**	**Type**
Capital Research Global Investors	64,868,000	64,658,000	Low	Investment Adviser
Legg Mason Capital Management, Inc.	53,282,703	50,244,068	Low	Investment Adviser
AllianceBernstein LP	41,028,317	41,879,172	Medium	Mutual Fund Manager
Capital World Investors	28,840,433	31,443,433	Low	Investment Adviser
Pzena Investment Management	33,409,788	31,239,886	Medium	Investment Adviser
Barclays Global Investors NA (California)	26,506,215	28,474,957	Very Low	Mutual Fund Manager
Citigroup Global Markets (United States)	28,955,791	24,098,289	Medium	Broker
Hotchkis & Wiley Capital Management LLC	30,699,170	24,066,870	Medium	Mutual Fund Manager
Brandes Investment Partners LP	25,862,685	21,168,910	Low	Investment Adviser
State Street Global Advisors	21,443,951	21,141,389	Very Low	Mutual Fund Manager
Fidelity Management & Research	21,977,930	20,816,764	Low	Investment Adviser
Vanguard Group, Inc.	19,901,961	20,098,835	Very Low	Mutual Fund Manager
Van Kampen Asset Management	15,471,166	15,323,770	Low	Mutual Fund Manager
Dreman Value Management LLC	12,113,845	12,164,107	Low	Mutual Fund Manager
Capital International (UK) Ltd.	8,561,330	10,924,615	Medium	Investment Adviser
Wellington Management Co. LLP	21,482,212	10,676,649	Low	Mutual Fund Manager
UBS Global Asset Management	18,015,126	9,799,026	Medium	Investment Adviser
Capital Guardian Trust Co.	8,822,746	9,124,646	Medium	Investment Adviser
Deutsche Investment Management Americas, Inc.	9,005,895	8,929,449	Medium	Investment Adviser
Credit Suisse (United States)	8,947,824	8,605,544	Medium	Broker
Putnam Investment Management, Inc.	8,410,740	7,588,563	Medium	Mutual Fund Manager
JPMorgan Asset Management, Inc.	6,747,652	6,958,223	Low	Bank Management Division
UBS AG (Global Asset Management Switzerland)	7,865,598	6,581,052	Low	Investment Adviser
Schneider Capital Management Corp.	6,554,217	6,364,042	Medium	Investment Adviser
Northern Trust Investments	6,343,729	6,328,802	Very Low	Bank Management Division
Oppenheimer Capital	171,636	6,262,679	Medium	Investment Adviser
Franklin Advisers, Inc.	5,618,420	5,637,020	Very Low	Mutual Fund Manager
Columbia Management Advisors, Inc.	4,720,830	5,073,292	Low	Mutual Fund Manager
TIAA-CREF Asset Management LLC	4,911,448	4,888,270	Low	Investment Adviser
Goldman Sachs & Co.	1,802,015	4,860,806	Medium	Broker
Capital International SA Switzerland	3,658,503	4,652,203	Medium	Investment Adviser
Morgan Stanley Investment Management, Inc.	4,987,590	4,517,682	Low	Broker/Inv Bank Asset Mgmt
New York State Common Retirement Fund	3,554,190	4,358,990	Very Low	Pension Fund
OppenheimerFunds, Inc.	3,800	4,201,600	Medium	Investment Adviser
Mellon Capital Management	4,319,503	3,989,335	Very Low	Bank Management Division
Loomis, Sayles & Co. LP	3,810,700	3,755,700	High	Investment Adviser
RiverSource Investments LLC	4,270,492	3,206,380	Low	Mutual Fund Manager
Capital International, Inc.	3,285,376	3,085,276	Medium	Investment Adviser
T. Rowe Price Associates, Inc.	3,153,797	2,908,149	Low	Mutual Fund Manager
Geode Capital Management LLC	2,905,235	2,862,468	Very Low	Investment Adviser
The California Public Employees Retirement System	2,443,986	2,797,889	Low	Pension Fund
Alex Brown Investment Management LLC	2,211,264	2,706,703	Medium	Investment Adviser
Russell Investment Group	3,209,235	2,589,566	Medium	Mutual Fund Manager

ING Investments LLC	2,217,787	2,432,387	Low	Investment Adviser
Norges Bank Investment Management	2,711,873	2,430,497	Medium	Bank Management Division
UBS Global Asset Management (UK) Ltd.	2,076,631	2,378,299	Low	Bank Management Division
Legal & General Investment Management Ltd.	2,567,161	2,067,598	Low	Insurance Management Division
GE Asset Management, Inc.	221,533	2,026,031	Low	Mutual Fund Manager
New Jersey Division of Investment	Yet to File	2,014,000	Very Low	Pension Fund
Federated Investment Management Co.	1,974,721	1,886,623	Medium	Mutual Fund Manager