

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT (the “Agreement”) is entered into as of September 12, 2014, by and between (i) the Federal Housing Finance Agency (“FHFA” or “Plaintiff”), as Conservator of the Federal Home Loan Mortgage Corporation (“Freddie Mac”) and the Federal National Mortgage Association (“Fannie Mae,” and, together with Freddie Mac, “the GSEs”), Freddie Mac, and Fannie Mae, on the one hand, and (ii) HSBC North America Holdings Inc., HSBC USA Inc., HSBC Markets (USA) Inc., HSBC Bank USA, N.A., HSI Asset Securitization Corporation, HSBC Securities (USA) Inc. (“HSBC Securities”), Neal Leonard, Gerard Mattia, Todd White, and Jon Voigtman (collectively, the “HSBC Defendants”), on the other. The HSBC Defendants, together with FHFA and the GSEs, are referred to herein as the “Settling Parties,” with each a “Settling Party.”¹

WHEREAS, on September 6, 2008, the Director of FHFA placed Fannie Mae and Freddie Mac into conservatorships pursuant to the Housing and Economic Recovery Act of 2008;

WHEREAS, on or about September 2, 2011, FHFA, in its capacity as Conservator for Fannie Mae and Freddie Mac, commenced an action against the HSBC Defendants in the United States District Court for the Southern District of New York, captioned *Federal Housing Finance Agency v. HSBC North America Holdings Inc., et al.*, No. 11 Civ. 6189 (DLC) (the “Action”);

WHEREAS, on or about June 28, 2012, FHFA served an Amended Complaint in the Action (the “Complaint”);

WHEREAS, the Settling Parties have now reached an agreement to fully and finally compromise, resolve, dismiss, discharge and settle each and every one of the Released Claims against each and every one of the Released Persons, and to dismiss the Action with prejudice and on the merits;

NOW, THEREFORE, for good and valid consideration, the receipt and sufficiency of which is hereby acknowledged by all Settling Parties hereto, the Settling Parties agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the following meanings:

(a) “Affiliate” means, with respect to any specified Person, any other Person that, at the time of determination, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with such specified Person, where “control” means, as to any Person, the power to direct or cause the direction of the management, policies, or practices of such Person, whether through the ownership of voting securities, by

¹ All terms with initial capitalization not otherwise defined herein shall have the meanings ascribed to them in Paragraph 1 herein.

contract or otherwise. The terms “controlled by” and “under common control with” have correlative meanings.

(b) “Contract Claim” means any claim under a contract asserted by a party other than a Releasing Plaintiff Person (including, without limitation, any claim under any Pooling and Servicing Agreement, Assignment and Recognition Agreement, or Mortgage Loan Purchase Agreement) where neither FHFA nor the GSEs are signatories, alleging any breach or violation of any representation or warranty as to loans originated, purchased, acquired, transferred, or securitized regarding, or collateralizing, the Covered Securities, and which could result in an economic benefit to any Releasing Plaintiff Person by virtue of such person’s ownership of Covered Securities.

(c) “Covered Securities” means the 19 securities that are listed in Exhibit A, which list is intended by the Settling Parties to include all securities for which FHFA has brought claims against the HSBC Defendants in the Action.

(d) “Effective Date” means the date upon which the Settlement Payment, as defined below, has been received by both GSEs, as evidenced by confirmation of the wire transfer pursuant to the written instructions of Plaintiff.

(e) “Execution Date” means the date upon which the last Settling Party signs and executes this Agreement, whether made in multiple counterparts, by facsimile, or .pdf.

(f) “FHFA Actions” means those actions listed in Exhibit B-1, including any appeals therefrom.

(g) “LIBOR Claims” means any claims relating to the London Interbank Offered Rate, whether associated with the Covered Securities or any other securities.

(h) “Non-Settling Defendants” means, collectively, all present or future defendants in the Related Actions that are not Released Defendant Persons.

(i) “Person” means an individual, corporate entity, partnership, association, joint stock company, limited liability company, estate, trust, government entity (or any political subdivision or agency thereof) and any other type of business or legal entity; provided, however, that nothing in this definition or its use in this Agreement shall be construed to bind any governmental agency/entity other than FHFA solely in its capacity as Conservator for Fannie Mae and Freddie Mac, and the GSEs.

(j) “Protective Order” means the First Amended Protective Order filed on January 11, 2013, in the Action.

(k) “Related Actions” means those actions listed in Exhibit B-2.

(l) “Released Claims” means, collectively, the Released Plaintiff Claims and the Released Defendant Claims.

(m) “Released Defendant Claims” means any and all claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, interests, debts, expenses, charges, penalties, sanctions, fees, attorneys’ fees, actions, potential actions, causes of action, suits, agreements, judgments, decrees, matters, issues and controversies of any kind, nature and description whatsoever that relate to the Covered Securities, (i) whether disclosed or undisclosed, known or unknown, accrued or unaccrued, matured or not matured, perfected or not perfected, choate or inchoate, liquidated or not liquidated, fixed or contingent, ripened or unripened; (ii) whether at law or equity, whether based on or arising under state, local, federal, foreign (if any), statutory, regulatory, common, or other law or rule and upon any legal theory (including, but not limited to, claims arising under federal or state securities laws), no matter how asserted; (iii) that previously existed, currently exist, or exist in the future; and (iv) that were, could have been, or may be asserted by any or all of the Releasing Defendant Persons against any or all of the Released Plaintiff Persons in any federal or state court, or in any other court, tribunal, arbitration, proceeding, administrative agency, or other forum; provided, however, that the Released Defendant Claims shall not include: (i) any LIBOR Claims; (ii) any Contract Claims; (iii) any claims against any Person other than the Released Plaintiff Persons, including the Non-Settling Defendants; (iv) any claims against any governmental entity or agency besides FHFA, solely in its capacity as Conservator of the GSEs; or (v) any claims to enforce this Agreement.

(n) “Released Defendant Persons” means each of the HSBC Defendants, along with each of the HSBC Defendants’ respective past and/or present Affiliates, subsidiaries, parents, general partners, limited partners and any Person in which any HSBC Defendant has or had a controlling interest, and each such Person’s past and/or present principals, administrators, predecessors, successors, assigns, members, parents, subsidiaries, employees, officers, managers, directors, partners, limited partners, investment bankers, representatives, estates, divisions, financial advisors, estate managers, assigns, insurers and reinsurers; provided, however, that the Released Defendant Persons does not include any Non-Settling Defendant or any Non-Settling Defendants’ past and/or present Affiliates, subsidiaries, and parents.

(o) “Released Persons” means collectively the Released Plaintiff Persons and the Released Defendant Persons.

(p) “Released Plaintiff Claims” means any and all claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, interests, debts, expenses, charges, penalties, sanctions, fees, attorneys’ fees, actions, potential actions, causes of action, suits, agreements, judgments, decrees, matters, issues, and controversies of any kind, nature, and description whatsoever that relate to the Covered Securities, (i) whether disclosed or undisclosed, known or unknown, accrued or unaccrued, matured or not matured, perfected or not perfected, choate or inchoate, liquidated or not liquidated, fixed or contingent, ripened or unripened; (ii) whether at law or equity, whether based on or arising under state, local, federal, foreign (if any), statutory, regulatory, common, or other law or rule and upon any legal theory (including, but not limited to, claims arising under federal or state securities laws), no matter how asserted; (iii) that previously existed, currently exist, or exist in the future; and (iv) that were, could have been, or may be asserted by any or all of the Releasing Plaintiff Persons against any or all of the Released Defendant Persons in any federal or state court, or in any other court, tribunal, arbitration, proceeding, administrative agency, or other forum; provided, however, that the Released Plaintiff Claims shall not include: (i) any LIBOR Claims; (ii) any Contract Claims; (iii) any claims

against any Person other than the Released Defendant Persons, including the Non-Settling Defendants; (iv) any claims of any governmental entity or agency besides FHFA, solely in its capacity as Conservator of the GSEs, or the GSEs; or (v) any claims to enforce this Agreement.

(q) “Released Plaintiff Persons” means each of: FHFA, solely in its capacity as Conservator of the GSEs; the GSEs; and each and all of the GSEs’ respective past and/or present principals, Affiliates, subsidiaries, parents, general partners, limited partners and any Person in which FHFA or the GSEs have or had a controlling interest, and each such Person’s past and/or present administrators, predecessors, successors, assigns, members, parents, subsidiaries, employees, principals, officers, managers, directors, partners, limited partners, investment bankers, representatives, estates, divisions, financial advisors, assigns, insurers and reinsurers. “Released Plaintiff Person” does not include any governmental entity or agency besides FHFA, solely in its capacity as Conservator of the GSEs.

(r) “Releasing Defendant Persons” means each of the HSBC Defendants and each and all of their respective successors in interest, predecessors, representatives, trustees, executors, administrators, agents, heirs, estates, assigns or transferees, immediate and remote, and any other Person who has the right, ability, standing or capacity to assert, prosecute or maintain on their behalf any of the Released Defendant Claims, whether in whole or in part.

(s) “Releasing Persons” means, collectively, the Releasing Plaintiff Persons and the Releasing Defendant Persons.

(t) “Releasing Plaintiff Persons” means each of FHFA, solely in its capacity as Conservator of the GSEs; the GSEs; and each and all of FHFA and the GSEs’ respective successors in interest, predecessors, representatives, trustees, executors, administrators, agents, heirs, estates, assigns or transferees, immediate and remote, and any other Person who has the right, ability, standing or capacity to assert, prosecute or maintain on their behalf any of the Released Plaintiff Claims, whether in whole or in part; provided, however, that nothing in this definition or its use in this Agreement shall be construed to bind or constitute a release by any governmental agency/entity other than FHFA solely in its capacity as Conservator of the GSEs.

2. Settlement Payment.

(a) In consideration for the Releasing Plaintiff Persons’ execution of this Agreement and the release of claims as set forth below, HSBC Securities shall make a one-time, lump sum payment of five hundred fifty million dollars (\$550,000,000) (the “Settlement Payment”), payable to Freddie Mac and Fannie Mae, in accordance with FHFA’s written instructions. HSBC Securities shall make the Settlement Payment, or cause it to be made, within fifteen (15) business days of the Execution Date.

(b) Receipt of the Settlement Payment by Freddie Mac and Fannie Mae shall constitute a full and valid discharge of the payment obligation pursuant to this Agreement and in connection with the settlement of the Action contemplated herein.

3. Full Consideration. The Settling Parties agree that, apart from the Settlement Payment and the releases provided in Paragraphs 6 and 8 below, Plaintiff and the Releasing

Plaintiff Persons are not entitled to any other payments or consideration from any of the Released Defendant Persons in respect of the Released Claims.

4. No Admission of Liability. This Agreement does not constitute an admission by any of the HSBC Defendants of any liability or wrongdoing whatsoever, including, but not limited to, any liability or wrongdoing with respect to any of the allegations that were or could have been raised in the Action. To the contrary, the HSBC Defendants vigorously deny the allegations in the Action. This Agreement also does not constitute an admission by FHFA or the GSEs that they would not have been able to successfully prosecute their claims in the Action, and in fact FHFA and the GSEs vigorously believe in the merit of each of their allegations in the Action. The Settling Parties agree that this Agreement is the result of a compromise within the provisions of the Federal Rules of Evidence, and any similar statutes or rules, and shall not be used or admitted in any proceeding for any purpose including, but not limited to, as evidence of liability or wrongdoing by any HSBC Defendant, nor shall it be used for impeachment purposes, to refresh recollection, or any other evidentiary purpose; provided, however, that this paragraph shall not apply to any claims to enforce this Agreement.

5. Additional Conditions.

(a) No later than one business day from the Execution Date, the Settling Parties shall jointly file a motion to stay proceedings in the Action, in the form attached hereto as Exhibit C-1.

(b) No later than one business day from the Execution Date, all discovery in the Action shall cease. For the avoidance of doubt, nothing in this Agreement will affect discovery, including any third-party discovery, in the Related Actions.

(c) No later than one business day from the Execution Date, the HSBC Defendants (i) shall withdraw from any joint defense agreement applicable to the Action or the Related Actions (except with respect to any joint defense agreement that may exist solely among the HSBC Defendants themselves insofar as such joint defense agreement does not apply to the Action or the Related Actions); (ii) shall cease all efforts to assist Non-Settling Defendants or any third-party with regard to the Action or the Related Actions, except as required by law or under order of a court of competent jurisdiction; and (iii) thereafter shall not file or join in any motion, letter, or appeal with respect to the Action, the Related Actions, or any appeals from the Action or the Related Actions.

(d) No later than one business day from the Effective Date, the Settling Parties shall jointly file a stipulation of voluntary dismissal with prejudice of the Action pursuant to Fed. R. Civ. P. 41(a)(1)(A)(ii), in the form attached hereto as Exhibit C-2.

6. Release by the Releasing Plaintiff Persons. In exchange for the Settlement Payment and the release provided by the Releasing Defendant Persons, each and every one of the Releasing Plaintiff Persons shall upon the Effective Date: (a) have and be deemed by operation of law to have completely, fully, finally and forever dismissed, released, relinquished and discharged with prejudice each and every one of the Released Defendant Persons from any and all of the Released Plaintiff Claims; (b) forever be barred and enjoined from filing, commencing,

intervening in, instituting, maintaining, prosecuting, or seeking relief (including, but not limited to, filing an application or motion for preliminary or permanent injunctive relief) in any other lawsuit, arbitration or other proceeding in any jurisdiction that asserts any of the Released Plaintiff Claims against any or all of the Released Defendant Persons; and (c) have and be deemed to have covenanted not to sue any of the Released Defendant Persons with respect to any of the Released Plaintiff Claims.

7. Covenants by the Releasing Plaintiff Persons. Effective upon the Execution Date, FHFA, as Conservator for the GSEs, and the GSEs, on behalf of themselves and all of the Releasing Plaintiff Persons, hereby covenant and agree that:

(a) No Releasing Plaintiff Person shall commence, assert, file or initiate any Released Plaintiff Claim, including (but not limited to) by way of third-party claim, cross-claim or counterclaim or by right of representation or subrogation, against any of the Released Defendant Persons.

(b) No Releasing Plaintiff Person shall participate in bringing or pursuing any Released Plaintiff Claim against any Released Defendant Person; provided, however, a Releasing Plaintiff Person shall not be precluded from assisting other government agencies in investigating or pursuing any claims against any Released Defendant Person.

8. Release by the Releasing Defendant Persons. In exchange for the release provided by the Releasing Plaintiff Persons and the dismissal with prejudice of the Action, each and every one of the Releasing Defendant Persons shall upon the Effective Date: (a) have and be deemed by operation of law to completely, fully, finally and forever to have dismissed, relinquished, released and discharged with prejudice each and every one of the Released Plaintiff Persons from any and all of the Released Defendant Claims; (b) forever be barred and enjoined from filing, commencing, intervening in, participating in, instituting, maintaining, prosecuting, or seeking relief (including, but not limited to, filing an application or motion for preliminary or permanent injunctive relief) in any other lawsuit, arbitration or other proceeding in any jurisdiction that asserts any of the Released Defendant Claims against any or all of the Released Plaintiff Persons; and (c) have and be deemed to have covenanted not to sue any of the Released Plaintiff Persons with respect to any of the Released Defendant Claims.

9. Release of Claims. Each of the Settling Parties acknowledges that it has been advised by its attorneys concerning, and is familiar with, California Civil Code Section 1542 and expressly waives any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to the provisions of the California Civil Code Section 1542, including that provision itself, which reads as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

The Parties acknowledge that inclusion of the provisions of this Section to this Agreement was a material and separately bargained for element of this Agreement. Each Settling Party agrees that California law is not applicable to this Agreement, and neither consents to the jurisdiction of a California court nor the application of California law to adjudicate any disputes under this Agreement. Rather, and as reflected in Paragraph 19 below, the Settling Parties have agreed that this Agreement is governed by and shall be construed in accordance with the laws of the State of New York without regard to conflicts of law principles.

10. Covenants by the Releasing Defendant Persons. Effective upon the Execution Date, the HSBC Defendants, on behalf of themselves and all of the Releasing Defendant Persons, hereby covenant and agree that:

(a) No Releasing Defendant Person shall commence, assert, file or initiate any Released Defendant Claim, including (but not limited to) by way of third-party claim, cross-claim or counterclaim or by right of representation or subrogation, against any of the Released Plaintiff Persons.

(b) No Releasing Defendant Person shall participate in bringing or pursuing any Released Defendant Claim against any Released Plaintiff Person.

(c) The Releasing Defendant Persons (i) shall immediately withdraw from any participation in, and joint defense or common interest agreements applicable to, any of the FHFA Actions (except for any joint defense or common interest agreement that exists solely among the HSBC Defendants insofar as such joint defense agreement or common interest agreement does not apply to the Action or the Related Actions); (ii) shall immediately cease all efforts to assist defendants (or counsel for any defendant) or any third-party (or counsel for any third-party) with regard to the FHFA Actions, except as required by law or under order of a court of competent jurisdiction; and (iii) shall not file or join in any motion, letter, or appeal in any of the FHFA Actions; provided, however, that nothing in this Subparagraph (c) shall preclude the Releasing Defendant Persons or their counsel from (i) expressing views on matters at issue in any of the FHFA Actions; or (ii) making any filings in any action or proceeding other than any of the FHFA Actions. For the avoidance of doubt, no Releasing Defendant Person may make, or cause to be made, any filing, as amicus or otherwise, in any FHFA Action, or in any appeal of any FHFA Action.

(d) Nothing in this Agreement shall prevent FHFA or the GSEs from seeking third-party discovery from any Released Defendant Person in any action or proceeding. For the avoidance of doubt, nothing in this Agreement shall relieve any Released Defendant Person from any obligation or requirement under Rule 45 of the Federal Rules of Civil Procedure, including with respect to the Related Actions. The Released Defendant Persons shall use all reasonable efforts to comply with any subpoenas pursuant to Rule 45 of the Federal Rules of Civil Procedure served upon them in the Related Actions by any of the Released Plaintiff Persons relating to claims as to the Non-Settling Defendants.

11. Protective Order. The obligations and benefits conferred in the Protective Order, governing confidentiality of information and documents entered in the Action, shall remain in effect after the Effective Date.

12. Representations and Warranties. Each Settling Party represents and warrants that:

(a) It has the full legal authority, right, and capacity to enter into this Agreement on its behalf and to bind the Settling Party to perform its obligations hereunder, including any third-party authorization necessary to release the claims being released hereunder. This Agreement has been duly and validly executed and delivered by such Settling Party and, assuming due authorization, execution and delivery by the other Settling Party, constitutes a legal, valid and binding obligation of such Settling Party, enforceable against such Settling Party in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies;

(b) The execution and delivery of this Agreement, the performance by such Settling Party of its obligations hereunder and the consummation of the transactions contemplated hereby, will not: (i) result in the violation by such Settling Party of any statute, law, rule, regulation or ordinance or any judgment, decree, order, writ, permit, or license of any governmental or regulatory authority applicable to such Settling Party; or (ii) require such Settling Party to obtain any consent, approval or action of, make any filing with or give any notice to any person, which action has not already been undertaken and accomplished by such Settling Party;

(c) It has not assigned, subrogated, pledged, loaned, hypothecated, conveyed, or otherwise transferred, voluntarily or involuntarily, to any other person or entity, the Released Claims, or any interest in or part or portion thereof, specifically including any rights arising out of the Released Claims; and

(d) It has read and understands this Agreement and it has had the opportunity to consult with its attorneys before signing it.

13. No Effect On FHFA's or the GSEs' Interests in the Covered Securities. Other than as specifically set forth in this Agreement, nothing herein prohibits, restricts, or limits FHFA or the GSEs from receiving any benefits deriving from, or exercising any rights appurtenant to, the GSEs' ownership of interests in the Covered Securities in the ordinary course, including, without limitation, the right to receive or assign payments from their investments in the Covered Securities or to sell or otherwise dispose of their interests in the Covered Securities.

14. Authority. By signing this Agreement, each Settling Party, or its counsel as applicable, represents and warrants that it has full authority to enter into this Agreement and to bind itself, or its client, to this Agreement.

15. Entire Agreement. This Agreement constitutes the entire agreement to settle and resolve the claims that are the subject of this Agreement among the Settling Parties and overrides and replaces all prior negotiations and terms proposed or discussed, whether in writing or orally, about that subject matter. No modification of this Agreement shall be valid unless it is in writing, references this Agreement, and is signed by all Settling Parties.

16. Jurisdiction. All parties hereto submit to the personal jurisdiction of the United States District Court for the Southern District of New York for purposes of implementing and

enforcing the settlement embodied in this Agreement. The Settling Parties otherwise expressly reserve their jurisdictional rights to any action, suit or proceeding commenced outside the terms of this Agreement.

17. LIBOR. If any settlement agreement in any of the Related Actions provides for a release of any LIBOR Claims, FHFA shall offer the HSBC Defendants a release of LIBOR Claims solely on the Covered Securities on the most favorable relative terms provided to another settling party.

18. Necessary Actions. Each of the Settling Parties hereto agrees to execute and deliver, or to cause to be executed and delivered, all such instruments, and to take all such action as the other Settling Parties may reasonably request in order to effectuate the intent and purposes of, and to carry out the terms of, this Agreement.

19. Choice of Law. This Agreement is governed by and shall be construed in accordance with the laws of the State of New York without regard to choice of law or conflicts of law principles.

20. Costs and Expenses. FHFA, on the one hand, and the HSBC Defendants, on the other, shall each bear their own respective costs and expenses in the Action, including any and all legal and expert fees, incurred in connection with this Agreement and the Action.

21. Notices. Notices required by this Agreement shall be communicated by email and any form of overnight mail or in person to:

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Richard A. Schirtzer (richardschirtzer@quinnemanuel.com)
Christine H. Chung (christinechung@quinnemanuel.com)
Jonathan B. Oblak (jonoblak@quinnemanuel.com)
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*Attorneys for Plaintiff Federal Housing Finance Agency,
Fannie Mae, and Freddie Mac*

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1675 Broadway
New York, New York 10019

Attorneys for the HSBC Defendants

22. Arm's Length Negotiation. This Agreement is the result of arm's-length negotiation between the Settling Parties, and all Settling Parties, including through their counsel, have contributed substantially and materially to the preparation of this Agreement. No provision of this Agreement shall be interpreted or construed against any Settling Party because that Settling Party or its legal representative drafted that particular provision. Any captions and headings contained in this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

23. Binding on Successors. Upon the Execution Date, this Agreement is binding upon and shall inure to the benefit of the Settling Parties, their successors, assigns, heirs, executors, legal representatives and administrators.

24. Third Party Beneficiaries. Except to the extent otherwise provided herein with respect to Released Persons, nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever.

25. Non-Waiver.

(a) Any failure by any Settling Party to insist upon the strict performance by any other Settling Party of any of the provisions of this Agreement shall not be deemed a waiver of any of the provisions hereof, and such Settling Party, notwithstanding such failure, shall have the right thereafter to insist upon the strict performance of any and all of the provisions of this Agreement to be performed by such other Settling Party.

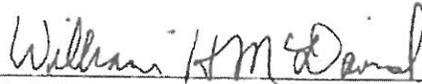
(b) No waiver, express or implied, by any Settling Party of any breach or default in the performance by the other Settling Party of its obligations under this Agreement shall be deemed or construed to be a waiver of any other breach, whether prior, subsequent or contemporaneous, under this Agreement.

26. Counterparts. This Agreement may be executed in multiple counterparts, which shall be deemed an original but all of which together shall constitute one and the same instrument. Signatures exchanged by facsimile or .pdf shall be valid and effective as original signatures.

27. Exhibits. All of the exhibits attached to this Agreement are material and integral parts hereof and are hereby incorporated by reference as if fully set forth herein.

28. Cooperation. The Settling Parties and their respective counsel agree to cooperate fully with one another in order to effect the consummation of the settlement of the Action.

IN WITNESS WHEREOF, the Settling Parties execute this SETTLEMENT AGREEMENT as of the date first above referenced with the intent to be bound by its terms and conditions.

<p>FEDERAL HOUSING FINANCE AGENCY, AS CONSERVATOR FOR THE FEDERAL NATIONAL MORTGAGE ASSOCIATION AND THE FEDERAL HOME LOAN MORTGAGE CORPORATION</p> <p></p> <p>BY: ALFRED M. POLLARD ITS: GENERAL COUNSEL</p> <p>DATED: <u>9-12-2014</u></p>	<p>FEDERAL HOME LOAN MORTGAGE CORPORATION</p> <p></p> <p>BY: WILLIAM H. McDAVID ITS: EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL</p> <p>DATED: <u>9/12/14</u></p>
<p>FEDERAL NATIONAL MORTGAGE ASSOCIATION</p> <p></p> <p>BY: JUDY C. DUNN ITS: SENIOR VICE PRESIDENT AND PRINCIPAL GENERAL COUNSEL</p> <p>DATED: <u>September 12, 2014</u></p>	<p>HSBC NORTH AMERICA HOLDINGS INC., HSBC USA INC., HSBC MARKETS (USA) INC., HSBC BANK USA, N.A., HSI ASSET SECURITIZATION CORPORATION, and HSBC SECURITIES (USA) INC.</p> <p>BY: _____ ITS: _____</p> <p>DATED: _____</p>
<p>NEAL LEONARD</p> <p>_____</p> <p>DATED: _____</p>	<p>GERARD MATTIA</p> <p>_____</p> <p>DATED: _____</p>
<p>TODD WHITE</p> <p>_____</p> <p>DATED: _____</p>	<p>JON VOIGTMAN</p> <p>_____</p> <p>DATED: _____</p>

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FEDERAL HOUSING FINANCE AGENCY, AS CONSERVATOR FOR THE FEDERAL NATIONAL MORTGAGE ASSOCIATION AND THE FEDERAL HOME LOAN MORTGAGE CORPORATION _____ BY: ALFRED M. POLLARD ITS: GENERAL COUNSEL DATED: _____	FEDERAL HOME LOAN MORTGAGE CORPORATION _____ BY: WILLIAM H. McDAVID ITS: EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL DATED: _____
FEDERAL NATIONAL MORTGAGE ASSOCIATION _____ BY: JUDY C. DUNN ITS: SENIOR VICE PRESIDENT AND PRINCIPAL GENERAL COUNSEL DATED: _____	HSBC NORTH AMERICA HOLDINGS INC., HSBC USA INC., HSBC MARKETS (USA) INC., HSBC BANK USA, N.A., HSI ASSET SECURITIZATION CORPORATION, and HSBC SECURITIES (USA) INC. _____ BY: <i>Stuart A Alderoty</i> ITS: <i>Senior Executive Vice President and General Counsel</i> DATED: <i>Sept 12 2014</i>
NEAL LEONARD _____ DATED: _____	GERARD MATTIA _____ DATED: _____
TODD WHITE _____ DATED: _____	JON VOIGTMAN _____ DATED: _____

IN WITNESS WHEREOF, the Settling Parties execute this SETTLEMENT AGREEMENT as of the date first above referenced with the intent to be bound by its terms and conditions.

FEDERAL HOUSING FINANCE AGENCY, AS CONSERVATOR FOR THE FEDERAL NATIONAL MORTGAGE ASSOCIATION AND THE FEDERAL HOME LOAN MORTGAGE CORPORATION _____ BY: ALFRED M. POLLARD ITS: GENERAL COUNSEL DATED: _____	FEDERAL HOME LOAN MORTGAGE CORPORATION _____ BY: WILLIAM H. McDAVID ITS: EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL DATED: _____
FEDERAL NATIONAL MORTGAGE ASSOCIATION _____ BY: JUDY C. DUNN ITS: SENIOR VICE PRESIDENT AND PRINCIPAL GENERAL COUNSEL DATED: _____	HSBC NORTH AMERICA HOLDINGS INC., HSBC USA INC., HSBC MARKETS (USA) INC., HSBC BANK USA, N.A., HSI ASSET SECURITIZATION CORPORATION, and HSBC SECURITIES (USA) INC. _____ BY: ITS: DATED: _____
NEAL LEONARD  _____ DATED: <u>8/11/14</u>	GERARD MATTIA _____ DATED: _____
TODD WHITE _____ DATED: _____	JON VOIGTMAN _____ DATED: _____

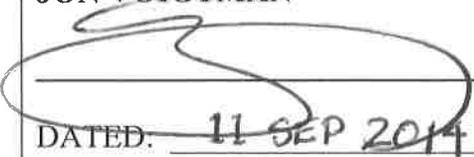
IN WITNESS WHEREOF, the Settling Parties execute this SETTLEMENT AGREEMENT as of the date first above referenced with the intent to be bound by its terms and conditions.

FEDERAL HOUSING FINANCE AGENCY, AS CONSERVATOR FOR THE FEDERAL NATIONAL MORTGAGE ASSOCIATION AND THE FEDERAL HOME LOAN MORTGAGE CORPORATION _____ BY: ALFRED M. POLLARD ITS: GENERAL COUNSEL DATED: _____	FEDERAL HOME LOAN MORTGAGE CORPORATION _____ BY: WILLIAM H. McDAVID ITS: EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL DATED: _____
FEDERAL NATIONAL MORTGAGE ASSOCIATION _____ BY: JUDY C. DUNN ITS: SENIOR VICE PRESIDENT AND PRINCIPAL GENERAL COUNSEL DATED: _____	HSBC NORTH AMERICA HOLDINGS INC., HSBC USA INC., HSBC MARKETS (USA) INC., HSBC BANK USA, N.A., HSI ASSET SECURITIZATION CORPORATION, and HSBC SECURITIES (USA) INC. _____ BY: ITS: DATED: _____
NEAL LEONARD _____ DATED: _____	GERARD MATTIA  _____ DATED: <u>12th Sept '14</u>
TODD WHITE _____ DATED: _____	JON VOIGTMAN _____ DATED: _____

IN WITNESS WHEREOF, the Settling Parties execute this SETTLEMENT AGREEMENT as of the date first above referenced with the intent to be bound by its terms and conditions.

<p>FEDERAL HOUSING FINANCE AGENCY, AS CONSERVATOR FOR THE FEDERAL NATIONAL MORTGAGE ASSOCIATION AND THE FEDERAL HOME LOAN MORTGAGE CORPORATION</p> <p>_____ BY: ALFRED M. POLLARD ITS: GENERAL COUNSEL</p> <p>DATED: _____</p>	<p>FEDERAL HOME LOAN MORTGAGE CORPORATION</p> <p>_____ BY: WILLIAM H. McDAVID ITS: EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL</p> <p>DATED: _____</p>
<p>FEDERAL NATIONAL MORTGAGE ASSOCIATION</p> <p>_____ BY: JUDY C. DUNN ITS: SENIOR VICE PRESIDENT AND PRINCIPAL GENERAL COUNSEL</p> <p>DATED: _____</p>	<p>HSBC NORTH AMERICA HOLDINGS INC., HSBC USA INC., HSBC MARKETS (USA) INC., HSBC BANK USA, N.A., HSI ASSET SECURITIZATION CORPORATION, and HSBC SECURITIES (USA) INC.</p> <p>_____ BY: ITS:</p> <p>DATED: _____</p>
<p>NEAL LEONARD</p> <p>_____ DATED: _____</p>	<p>GERARD MATTIA</p> <p>_____ DATED: _____</p>
<p>TODD WHITE  _____ DATED: <u>9/11/14</u></p>	<p>JON VOIGTMAN</p> <p>_____ DATED: _____</p>

IN WITNESS WHEREOF, the Settling Parties execute this SETTLEMENT AGREEMENT as of the date first above referenced with the intent to be bound by its terms and conditions.

FEDERAL HOUSING FINANCE AGENCY, AS CONSERVATOR FOR THE FEDERAL NATIONAL MORTGAGE ASSOCIATION AND THE FEDERAL HOME LOAN MORTGAGE CORPORATION _____ BY: ALFRED M. POLLARD ITS: GENERAL COUNSEL DATED: _____	FEDERAL HOME LOAN MORTGAGE CORPORATION _____ BY: WILLIAM H. McDAVID ITS: EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL DATED: _____
FEDERAL NATIONAL MORTGAGE ASSOCIATION _____ BY: JUDY C. DUNN ITS: SENIOR VICE PRESIDENT AND PRINCIPAL GENERAL COUNSEL DATED: _____	HSBC NORTH AMERICA HOLDINGS INC., HSBC USA INC., HSBC MARKETS (USA) INC., HSBC BANK USA, N.A., HSI ASSET SECURITIZATION CORPORATION, and HSBC SECURITIES (USA) INC. _____ BY: ITS: DATED: _____
NEAL LEONARD _____ DATED: _____	GERARD MATTIA _____ DATED: _____
TODD WHITE _____ DATED: _____	JON VOIGTMAN  _____ DATED: <u>11 SEP 2014</u>

THE COVERED SECURITIES

Securitization Name	Tranche	CUSIP
FFML 2006-FF1	1A	32027NYL9
FFML 2006-FF11	1A1	32028PAA3
FFML 2006-FF11	1A2	32028PAB1
FFML 2006-FF5	1A	32027EAB7
FFML 2006-FF7	1A	320277AB2
FFML 2006-FF9	1A	320276AB4
HASC 2005-I1	1A	40430HCV8
HASC 2006-HE1	1A1	44328AAA8
HASC 2006-HE2	1A	44328BAB4
HASC 2006-NC1	1A	40430HEQ7
HASC 2006-OPT1	1A	40430HCZ9
HASC 2006-OPT2	1A	40430HDV7
HASC 2006-OPT3	1A	40430HFG8
HASC 2006-OPT3	2A	40430HFH6
HASC 2006-OPT4	1A1	40430KAB7
HASC 2007-HE1	1A1	40430FAA0
HASC 2007-HE2	1A	40430RAA4
HASC 2007-OPT1	1A	40431JAA1
HASC 2007-WF1	1A1	40431RAA3

THE FHFA ACTIONS

Federal Housing Finance Agency v. Ally Financial Inc., et al., 11 Civ. 7010 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. Bank of America Corp., et al., 11 Civ. 6195 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. Barclays Bank PLC, et al., 11 Civ. 6190 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. Citigroup, Inc., et al., 11 Civ. 6196 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. Countrywide Financial Corp., et al., 12 Civ. 1059 (C.D. Cal.)

Federal Housing Finance Agency v. Credit Suisse Holdings (USA), Inc., et al., 11 Civ. 6200 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. Deutsche Bank AG, et al., 11 Civ. 6192 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. First Horizon National Corp., et al., 11 Civ. 6193 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. General Electric Company, et al., 11 Civ. 7048 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. Goldman, Sachs & Co., et al., 11 Civ. 6198 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. HSBC North America Holdings, Inc., et al., 11 Civ. 6189 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. JPMorgan Chase & Co., et al., No. 11 Civ. 6188 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. Merrill Lynch & Co., Inc., et al., 11 Civ. 6202 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. Morgan Stanley, et al., 11 Civ. 6739 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. Nomura Holding America, Inc., et al., 11 Civ. 6201 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. Royal Bank of Scotland Group plc, et al., 11 Civ. 1383 (AWT) (D. Conn.)

Federal Housing Finance Agency v. SG Americas, Inc., et al., 11 Civ. 6203 (DLC) (S.D.N.Y.)

Federal Housing Finance Agency v. UBS Americas Inc., et al., 11 Civ. 5201 (DLC) (S.D.N.Y.)

THE RELATED ACTIONS

Federal Housing Finance Agency v. Nomura Holding America, Inc., et al., 11 Civ. 6201
(S.D.N.Y.)

Federal Housing Finance Agency v. Royal Bank of Scotland Group plc, et al., 11 Civ. 1383
(D. Conn.)

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

FEDERAL HOUSING FINANCE AGENCY, AS
CONSERVATOR FOR THE FEDERAL NATIONAL
MORTGAGE ASSOCIATION AND THE FEDERAL
HOME LOAN MORTGAGE CORPORATION,

Plaintiff,

-against-

HSBC NORTH AMERICA HOLDINGS INC., HSBC USA
INC., HSBC MARKETS (USA) INC., HSBC BANK USA,
N.A., HSI ASSET SECURITIZATION CORPORATION,
HSBC SECURITIES (USA) INC., NEAL LEONARD,
GERARD MATTIA, TODD WHITE, and JON
VOIGTMAN,

Defendants.

11 Civ. 6189 (DLC)

JOINT MOTION TO STAY PROCEEDINGS

1. On September 12, 2014, Plaintiff Federal Housing Finance Agency, as Conservator of the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association (collectively, “Plaintiff”), and Defendants HSBC North America Holdings Inc., HSBC USA Inc., HSBC Markets (USA) Inc., HSBC Bank USA, N.A., HSI Asset Securitization Corporation, HSBC Securities (USA) Inc., Neal Leonard, Gerard Mattia, Todd White, and Jon Voigtman (collectively, the “HSBC Defendants”) entered into a settlement agreement (the “Agreement”) to resolve claims in *Federal Housing Finance Agency v. HSBC North America Holdings Inc., et al.*, No. 11 Civ. 6189 (DLC) (the “Action”).

2. Under the terms of the Agreement, Plaintiff and the HSBC Defendants (the “Parties”) agreed jointly to move for a stay of the claims against the HSBC Defendants in the Action within one business day of executing the Agreement.

3. In accordance with the terms of the Agreement, the Parties shall jointly file a stipulation of voluntary dismissal with prejudice of the Action within one business day of both GSEs’ receipt of the Settlement Payment (as defined in the Agreement). Presently, the Parties anticipate the Settlement Payment to be made on or before October 3, 2014;

4. The Parties, therefore, request that the Court enter the enclosed proposed order granting the Parties’ Motion to Stay Proceedings until the Action has been dismissed.

Dated: September __, 2014

New York, New York

Respectfully submitted,

By: _____
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Attorneys for the HSBC Defendants

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

FEDERAL HOUSING FINANCE AGENCY, AS
CONSERVATOR FOR THE FEDERAL NATIONAL
MORTGAGE ASSOCIATION AND THE FEDERAL
HOME LOAN MORTGAGE CORPORATION,

Plaintiff,

-against-

HSBC NORTH AMERICA HOLDINGS INC., HSBC USA
INC., HSBC MARKETS (USA) INC., HSBC BANK USA,
N.A., HSI ASSET SECURITIZATION CORPORATION,
HSBC SECURITIES (USA) INC., NEAL LEONARD,
GERARD MATTIA, TODD WHITE, and JON
VOIGTMAN,

Defendants.

11 Civ. 6189 (DLC)

**[PROPOSED] ORDER GRANTING THE PARTIES'
JOINT MOTION TO STAY PROCEEDINGS**

The Court, having considered all materials submitted in favor of the Parties' _____, 2014 Joint Motion to Stay Proceedings, and finding good cause in support thereof,

IT IS HEREBY ORDERED that:

The Parties' Motion to Stay Proceedings is GRANTED until _____, 2014, and the Action shall remain stayed pending the joint submission of a stipulation of voluntary dismissal with prejudice, but in no event stayed beyond _____, 2014 without further approval by the Court.

Dated: _____, 2014
New York, New York

By: _____
The Honorable Denise L. Cote
United States District Court Judge

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

FEDERAL HOUSING FINANCE AGENCY, AS
CONSERVATOR FOR THE FEDERAL NATIONAL
MORTGAGE ASSOCIATION AND THE FEDERAL
HOME LOAN MORTGAGE CORPORATION,

Plaintiff,

-against-

HSBC NORTH AMERICA HOLDINGS INC., HSBC USA
INC., HSBC MARKETS (USA) INC., HSBC BANK USA,
N.A., HSI ASSET SECURITIZATION CORPORATION,
HSBC SECURITIES (USA) INC., NEAL LEONARD,
GERARD MATTIA, TODD WHITE, and JON
VOIGTMAN,

Defendants.

11 Civ. 6189 (DLC)

STIPULATION OF VOLUNTARY DISMISSAL WITH PREJUDICE

WHEREAS Plaintiff Federal Housing Finance Agency, as Conservator of the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, and Defendants HSBC North America Holdings Inc., HSBC USA Inc., HSBC Markets (USA) Inc., HSBC Bank USA, N.A., HSI Asset Securitization Corporation, HSBC Securities (USA) Inc., Neal Leonard, Gerard Mattia, Todd White, and Jon Voigtman have reached a settlement disposing of all claims asserted in the above-captioned action (the “Action”);

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, by and between the parties, through their undersigned counsel, that, pursuant to Fed. R. Civ. P. 41(a)(1)(A)(ii),

this Action shall be, and hereby is, dismissed with prejudice, each party to bear his or its own costs, except to the extent agreed among the parties.

Dated: _____, 2014
New York, New York

By: _____
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*Attorneys for Plaintiff
Federal Housing Finance Agency, as
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