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UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

VINCENT ALVIDRES, Individually and on Behalf of All Others Similarly Situated,

Plaintiff,

v.

COUNTRYWIDE FINANCIAL CORPORATION, BECKY BAILEY, KATHLEEN BROWN, HENRY G. CISNEROS, GRANT COUCH, JR., JEFFREY M. CUNNINGHAM, ROBERT J. DONATO, MICHAEL E. DOUGHERTY, BEN M. ENIS, MARSHALL M. GATES, LEORA GOREN, LAWRENCE GEE, EDWIN HELLER, RANJIT KRIPALANI, NICHOLAS KRSNICH, STANFORD L. KURLAND, MARTIN R. MELONE, ANGELO R. MOZILO, ROBERT T. PARRY, CHUCK QUON, JR., OSCAR P. ROBERTSON, KEITH P. RUSSELL, THOMAS SALETTA, JENNIFER SANDEFUR, THOMAS SCRIVENER, JEFFREY SPEAKES and HARLEY W. SNYDER.

Defendants.

CASE NO. 2:07-cv-05810-RGK-CT

CLASS ACTION

CORRECTED SECOND AMENDED COMPLAINT FOR BREACHES OF FIDUCIARY DUTY UNDER THE EMPLOYEE RETIREMENT INCOME SECURITY ACT

I. INTRODUCTION

1. Plaintiff Vincent Alvidres alleges the following based upon the investigation of Plaintiff's counsel, which included a review of U.S. Securities and Exchange Commission ("SEC") filings by Countrywide Financial Corporation ("Countrywide" or the "Company"), including the Company's proxy statements (Form 14A), annual reports (Form 10-K), quarterly reports (Form 10-Q), current periodic reports (Form 8-K), registration statements (Forms S-8), and the annual reports (Form 11-K) filed on behalf of the Countrywide Financial Corporation 401(k) Savings and Investment Plan, as amended and restated effective January 1, 1997, and subsequent amendments one through twelve (attached hereto as Exhibit A) (hereinafter the "Plan"), a review of the Forms 5500 filed by the Plan with the Department of Labor, documents produced in response to Plaintiff's ERISA § 104(b), 29 U.S.C. § 1024(b), request, interviews with participants of the Plan, and a review of available documents governing the operations of the Plan. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

II. NATURE OF THE ACTION

2. This is a class action brought on behalf of the Plan pursuant to §§ 502(a)(2) and (a)(3) of the Employee Retirement Income Security Act ("ERISA"), 29 U.S.C. §§1132(a)(2) and (a)(3), against the fiduciaries of the Plan for violations of ERISA.

3. The Plan is a retirement plan sponsored by Countrywide.

4. Plaintiff's claim arises from the failure of Defendants, who are fiduciaries of the Plan, to act solely in the interest of the participants and beneficiaries of the Plan, and to exercise the required skill, care, prudence, and diligence in administering the Plan and the Plan's assets during the period January 31, 2006 through the present (the "Class Period").

5. Plaintiff alleges that Defendants allowed the imprudent investment of the Plan's assets in Countrywide equity throughout the Class Period despite the fact that they clearly knew or should have known that such investment was unduly risky and imprudent

due to the Company's serious mismanagement, highly improper and potentially unlawful business practices, including, among other conduct: (a) marketing and extending subprime mortgage loans, made on a "low documentation" basis, without adequate consideration of the borrower's ability to repay and with unreasonably high risk of borrower default; (b) intentionally marketing subprime loans with high risk of default to borrowers who qualified for prime-rate loans in order to increase Company profits; (c) encouraging brokers to market excessively high-cost loans with greater risk of default to borrowers by offering incentive commissions; (d) representing that Countrywide had strict and selective underwriting and loan origination practices; (e) representing that Countrywide had sufficient reserves set aside to cover the high-risk loans it was selling; (f) operating with inadequate liquidity in relation to the volatility of Countrywide's business lines and assets; and (g) operating without the requisite internal controls to determine appropriate loan loss provisions; all of which caused Countrywide's financial statements to be misleading and which artificially inflated the value of shares of Countrywide stock and the Countrywide Stock Fund in the Plan ("Fund"), and which have called into serious question Countrywide's continued viability. In short, during the Class Period, the Company was seriously mismanaged and faced dire financial circumstances.

6. In addition, Plaintiff alleges that the Insider Selling Defendants suffered from serious conflicts of interest when they chose their own interests over those of the Plan's participants and beneficiaries. These Defendants, although they were aware that the Company stock price was over-inflated due to ongoing serious mismanagement, potentially unlawful business conduct and inappropriate lending practices at the Company, failed to discontinue the Plan's investment in Company stock or to inform the Plan participants of the Company's problems. Instead, they benefited from their inside knowledge by selling their personal holdings of Countrywide stock for over $300 million in proceeds during the Class Period and prior to the stock's precipitous decline.

7. Plaintiff alleges in Count I that the Defendants who were responsible for the investment of the Plan's assets breached their fiduciary duties to the Plan's participants in violation of ERISA by failing to prudently and loyally manage the Plan's investment in Countrywide stock. In Count II, Plaintiff alleges that the Defendants, who were responsible for the selection, monitoring and removal of the Plan's other fiduciaries, failed to properly monitor the performance of their fiduciary appointees and remove and replace those whose performance was inadequate. In Count III, Plaintiff alleges that Defendants breached their fiduciary duty to inform the Plan's participants by failing to provide complete and accurate information regarding the soundness of Countrywide stock and the prudence of investing and holding retirement contributions in Countrywide equity. In Count IV, Plaintiff alleges that Defendants breached their duties and responsibilities as co-fiduciaries by failing to prevent breaches by other fiduciaries of their duties of prudent and loyal management, complete and accurate communications, and adequate monitoring. Finally, in Count V, Plaintiff states a claim against Countrywide for knowing participation in the fiduciary breaches alleged herein.

8. As more fully explained below, during the Class Period, Defendants imprudently permitted the Plan to hold and acquire millions of dollars in Countrywide stock. Based on publicly available Plan information, it appears that Defendants' breaches have caused the Plan to lose well over ***two hundred million dollars*** of retirement savings during the Class Period.

9. This action is brought on behalf of the Plan and seeks to recover losses to the Plan for which Defendants are personally liable pursuant to ERISA §§ 409 and 502(a)(2), 29 U.S.C. §§ 1109 & 1132(a)(2). In addition, under § 502(a)(3) of ERISA, 29 U.S.C. § 1132(a)(3), Plaintiff seeks other equitable relief from Defendants, including, without limitation, injunctive relief and, as available under applicable law, constructive trust, restitution, equitable tracing, and other monetary relief.

10. ERISA §§ 409(a) and 502(a)(2) authorize participants such as Plaintiff to sue in a representative capacity for losses suffered by the Plan as a result of breaches of

fiduciary duty. Pursuant to that authority, Plaintiff brings this action as a class action under Fed. R. Civ. P. 23 on behalf of all participants and beneficiaries of the Plan whose Plan accounts were invested in Countrywide stock during the Class Period.

11. In addition, because the information and documents on which Plaintiff's claims are based are, for the most part, solely in Defendants' possession, certain of Plaintiff's allegations are by necessity upon information and belief. At such time as Plaintiff has had the opportunity to conduct discovery, Plaintiff will, to the extent necessary and appropriate, amend this Complaint, or, if required, seek leave to amend, to add such other additional facts as are discovered that further support Plaintiff's claims.

III. JURISDICTION AND VENUE

12. **Subject Matter Jurisdiction.** This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1331 and ERISA § 502(e)(1), 29 U.S.C. § 1132(e)(1).

13. **Personal Jurisdiction.** ERISA provides for nationwide service of process. ERISA § 502(e)(2), 29 U.S.C. § 1132(e)(2). All of the Defendants are either residents of the United States or subject to service in the United States and this Court therefore has personal jurisdiction over them. This Court also has personal jurisdiction over them pursuant to Fed. R. Civ. P. 4(k)(1)(A) because they would all be subject to the jurisdiction of a court of general jurisdiction in the State of California.

14. **Venue.** Venue is proper in this district pursuant to ERISA § 502(e)(2), 29 U.S.C. § 1132(e)(2), because the Plan is administered in this district, some or all of the fiduciary breaches for which relief is sought occurred in this district, and/or some Defendants reside and/or transact business in this district.

IV. PARTIES

A. Plaintiff.

15. Plaintiff Vincent Alvidres is a resident of Odessa, Florida. Plaintiff Alvidres is a participant in the Plan within the meaning of ERISA § 3(7), 29 U.S.C. § 1102(7), and was a participant in the Plan throughout the Class Period. He continues to hold shares of

Company stock in his retirement account in the Plan and did so throughout the Class Period.

B. Defendants.

16. The Defendants are identified below. All of the Defendants are fiduciaries of the Plan within the meaning of ERISA, as is explained below in Section VI. ("Defendants' Fiduciary Status"), and all of them breached their fiduciary duties in various ways as is explained in Section XI. ("Causes of Action").

17. **Countrywide Financial Corporation.** Countrywide is a Delaware corporation, with its principal executive offices located at 4500 Park Granada, Calabasas, California. According to its website, my.countrywide.com, the Company is a diversified financial services company focused primarily on real estate finance and related activities. Countrywide manages its business through five business segments: Mortgage Banking; Banking; Capital Markets; Insurance; and Global Operations. The mortgage banking business segment is Countrywide's core business and generated 48 percent of the Company's pre-tax earnings in 2006. Countrywide's common stock is listed on the New York Stock Exchange and trades under the ticker symbol "CFC." As described more fully below, the Company was a fiduciary for the Plan.

18. **Director Defendants.** The Countrywide Board of Directors (hereinafter the "Board") is the governing body of Countrywide under its charter, its bylaws, and applicable Delaware law, and, unless otherwise noted, comprises the persons who carried out the Company's responsibilities with respect to the Plan. The members of the Board during the Class Period included:

(a). **Defendant Angelo R. Mozilo** has served as Chairman of the Board since March 1999 and as the Chief Executive Officer of Countrywide since February 1998. Prior to his current position, Defendant Mozilo served as President of the Company from March 2000 through December 2003. He has served in other executive capacities since the Company's formation in March 1969. During the Class Period, Defendant Mozilo sold over 6 million

shares of Company stock for proceeds of approximately $250 million. In fact, in the last year alone, Defendant Mozilo made a profit of $135 million from the sale of Company stock, approximately one-third of the amount he has reaped over the past 23 years. Since Countrywide began trading on the NYSE, Defendant Mozilo has sold over $400 million worth of Countrywide stock, but, upon information and belief, has never purchased a share. According to the Form 4 filed with the SEC on October 12, 2007, Defendant Mozilo continues to hold approximately 500,000 shares in Countrywide stock. Between 2002 and 2006, Defendant Mozilo received about $387 million from pay and stock option gains according to the Company's filings with the SEC. *See* Definitive Proxy Statement, Form 14A, Apr. 27, 2007 at 35; Definitive Proxy Statement, Form 14A, Apr. 28, 2006; Definitive Proxy Statement, Form 14A, Apr. 29, 2005; Definitive Proxy Statement, Form 14A, Apr. 29, 2004; Definitive Proxy Statement, Form 14A, Apr. 25, 2003.

(b). **Defendant Kathleen Brown** served as a Director of Countrywide from 2005 until her resignation from the Board effective March 29, 2007.

(c). **Defendant Henry G. Cisneros** served as a Director of Countrywide from 2001 until his resignation from the Board on October 18, 2006. During the Class Period, Defendant Cisneros sold over 79,000 shares of Company stock for proceeds of approximately $3 million.

(d). **Defendant Jeffrey M. Cunningham** has served as a Director of Countrywide since 1998. During the Class Period, Defendant Cunningham sold approximately 75,000 shares of Company stock for proceeds of approximately $3 million.

(e). **Defendant Robert J. Donato** has served as a Director of Countrywide since 1993. During the Class Period, Defendant Donato sold approximately 54,000 shares of Company stock for proceeds of approximately $2.1 million.

(f). **Defendant Michael E. Dougherty** served as a Director of Countrywide from 1998 until June 2007. During the Class Period, Defendant Dougherty sold approximately 227,905 shares of Company stock for proceeds of approximately $9.2 million.

(g). **Defendant Ben M. Enis** served as a Director of Countrywide from 1984 until his resignation from the Board effective June 2006.

(h). **Defendant Edwin Heller** served as a Director of Countrywide from 1993 until his resignation from the Board effective June 2006. During the Class Period, Defendant Heller sold approximately 106,500 shares of Company stock for proceeds of approximately $4 million.

(i). **Defendant Stanford L. Kurland** served as a Director of Countrywide from 1999 until his resignation from the Company effective September 7, 2006. Defendant Kurland also served as the President of the Company from 2004 until his resignation and as the Chief Operating Officer of the Company from 1988 until his resignation. Defendant Kurland served in a number of other executive positions during his tenure at the Company, including Executive Managing Director from 2000 to 2003 and Senior Managing Director from 1989 to 2000. In addition, Defendant Kurland served as the Chairman and Chief Executive Officer of the Company's principal operating subsidiary, Countrywide Home Loans, Inc. During the Class Period, Defendant Kurland sold over 400,000 shares of Company stock for proceeds of approximately $15 million.

(j). **Defendant Martin R. Melone** has served as a Director of Countrywide since 2003.

(k). **Defendant Robert T. Parry** has served as a Director of Countrywide since 2004.

(l). **Defendant Oscar P. Robertson** has served as a Director of Countrywide since 2000. During the Class Period, Defendant Robertson

sold approximately 152,000 shares of Company stock for proceeds of approximately $6 million.

(m). **Defendant Keith P. Russell** has served as a Director of Countrywide since 2003.

(n). **Defendant Harley W. Snyder** has been a member of Countrywide's Board of Directors since 1991. During the Class Period, Defendant Snyder sold approximately 170,000 shares of Company stock for proceeds of approximately $6.5 million.

19. During the Class Period, Defendants Mozilo, Cisneros, Cunningham, Donato, Dougherty, Gates, Heller, Kripalani, Kurland, Robertson, Speakes and Snyder, (hereinafter, the "Insider Selling Defendants"), sold approximately 8.6 million shares of Countrywide stock for proceeds of over $310 million.

20. As is explained in more detail below, the Board had certain appointment and oversight responsibilities with respect to the Plan. The Board and it members listed above are referred to as the "Director Defendants."

21. **Compensation Committee Defendants.** As explained more fully below, the Plan assigns certain fiduciary responsibilities and duties to Countrywide's Board of Directors (the "Board"), certain of which, as discussed below, were discharged by the Compensation Committee of the Board of Directors. The Defendants identified in this paragraph are referred to as the "Compensation Committee Defendants." On information and belief, the Compensation Committee Defendants are as follows:

(a). **Defendant Henry G. Cisneros** has served as a member of the Compensation Committee.

(b). **Defendant Jeffrey M. Cunningham** has served as a member of the Compensation Committee.

(c). **Defendant Robert J. Donato** has served as a member of the Compensation Committee.

(d). **Defendant Michael E. Dougherty** has served as a member of the Compensation Committee.

(g). **Defendant Edwin Heller** has served as a member of the Compensation Committee.

(h). **Defendant Oscar P. Robertson** has served as a member of the Compensation Committee.

(i). **Defendant Harley W. Snyder** has served as a member of the Compensation Committee.

22. **Administrative Committee and its members.** As explained more fully below, the Plan assigns certain fiduciary responsibilities and duties to the Countrywide Financial Corporation Administrative Committee of Employee Benefit Plans ("Administrative Committee"). Administrative Committee members have full authority and power to administer and construe the Plan. The Defendants identified in this paragraph are referred to as the "Administrative Committee Defendants." On information and belief, the individual Administrative Committee Defendants are as follows:

(a). **Defendant Becky Bailey** has served as a member of the Administrative Committee. Upon information and belief, Defendant Bailey is a Managing Director, Executive Compensation and Global Benefits, at Countrywide.

(b). **Defendant Marshall M. Gates** has served as a member of the Administrative Committee. Upon information and belief, Defendant Gates is a Senior Managing Director and Chief Administrative Officer at Countrywide. During the Class Period, Defendant Gates sold approximately 75,000 shares of Company stock for proceeds of approximately $3 million.

(c). **Defendant Lawrence R. Gee** has served as a member of the Administrative Committee. Upon information and belief, Defendant Gee is a Managing Director, Technical Accounting, at Countrywide.

(d). **Defendant Leora Goren** has served as a member of the Administrative Committee. Upon information and belief, Defendant Goren is a Senior Managing Director and Chief Human Resources Officer at Countrywide.

(e). **Defendant Charles K. Quon, Jr.** served as a member of the Administrative Committee until February 13, 2007. Upon information and belief, Defendant Quon is a Managing Director, Compensation and Benefits at Countrywide.

(f). **Defendant Thomas Saletta** served as a member of the Administrative Committee until June 13, 2006.

23. **Investment Committee and its members.** As explained more fully below, the Plan assigns certain fiduciary responsibilities and duties to the Investment Committee of Employee Benefit Plans ("Investment Committee"). Specifically, the Investment Committee has the delegated responsibility for selecting the investment funds in the Plan and for monitoring the performance of those funds. The Defendants identified in this paragraph are referred to as the "Investment Committee Defendants." On information and belief, the individual Investment Committee Defendants are as follows:

(a). **Defendant J. Grant Couch, Jr.** has served as a member of the Investment Committee. Upon information and belief, Defendant Couch is a Managing Director and Chief Operations Officer at Countrywide Capital Markets.

(b). **Defendant Marshall M. Gates** has served as a member of the Investment Committee.

(c). **Defendant Leora Goren** has served as a member of the Investment Committee. Upon information and belief, Defendant Goren is a Senior Managing Director and Chief Human Resources Officer at Countrywide.

(d). **Defendant Nicholas Krsnich** served as a member of the Investment Committee until June 30, 2006. Upon information and belief, Defendant

Krsnich was Chief Investment Officer at Countrywide.

(e). **Defendant Ranjit M. Kripalani** served as a member of the Investment Committee until September 26, 2006. Upon information and belief, Defendant Kripalani is Executive Managing Director, President & Chief Executive Officer at Countrywide Capital Markets. During the Class Period, Defendant Kripalani sold approximately 68,000 shares of Company stock for proceeds of approximately $2,700,000.

(f). **Defendant Jennifer Sandefur** has served as a member of the Investment Committee. Upon information and belief, Defendant Sandefur is a Senior Managing Director and Treasurer at Countrywide.

(g). **Defendant Thomas Scrivener** has served as a member of the Investment Committee. Upon information and belief, Defendant Scrivener is a Managing Director, Financial Analysis and Administration, at Countrywide.

(h). **Defendant Jeffrey Speakes** served as a member of the Investment Committee until April 17, 2007. Upon information and belief, Defendant Speakes is a Senior Managing Director and Chief Economist at Countrywide. During the Class Period, Defendant Speakes sold approximately 52,000 shares of Company stock for proceeds of approximately $2,300,000.

24. As illustrated below in Section VII. E ("Defendants Suffered From Conflicts of Interest"), the individual Defendants' sales of Company stock increased during the Class Period as the financial condition of the Company deteriorated.

V. THE PLAN

A. Background.

25. The Plan, sponsored by Countrywide, is an "employee pension benefit plan," as defined by § 3(2)(A) of ERISA, 29 U.S.C. § 1002(2)(A). The Plan is a legal entity that can sue and be sued. ERISA § 502(d)(1), 29 U.S.C. § 1132(d)(1). However, in a

breach of fiduciary duty action such as this, the Plan is neither a defendant nor a plaintiff. Rather, pursuant to ERISA § 409, 29 U.S.C. § 1109, and the law interpreting it, the relief requested in this action is for the benefit of the Plan and its participants/beneficiaries.

26. The assets of an employee benefit plan, such as the Plan here, must be "held in trust by one or more trustees." ERISA § 403(a), 29 U.S.C. § 1103(a). During the Class Period, the assets of the Plan were held in a trust fund administered by Fidelity Investments ("Fidelity"), the Plan's trustee. *See* Countrywide Financial Corporation 401(k) Savings and Investment Plan, Annual Report (Form 11-K) at 10 (Dec. 31, 2006) (hereinafter the "2006 Form 11-K").

27. The Plan provides benefits, except in limited circumstances, for all employees. Effective January 1, 2004, "An employee becomes eligible to participate in the Plan as soon as administratively possible following the date he or she meets the following requirements: (A) Attainment of age 21; and (B) Completion of the Eligibility Computation Period, if he or she is then an Eligible Employee." Amendment Number Three to the Countrywide Financial Corporation 401(k) Savings and Investment Plan § 5.04(a) (Dec. 3, 2003) (hereinafter "Plan Amendment Three").

28. Under the Plan, an account is established and maintained for each participant, reflecting the manner in which each account is invested and the value of the investments including withdrawals, distributions, and any charges or credits made to the account. *See* Countrywide Credit Industries, Inc. 401(k) Savings and Investment Plan, as amended and restated effective January 1, 1997 § 7.01 (hereinafter "Plan Document").

29. The Countrywide Stock Fund holds the Plan's shares of Countrywide stock.

B. Employee and Employer Contributions.

30. At all relevant times, the Plan had two separate components: (1) employee contributions, and (2) employer contributions.

31. Plan participants could elect, via Salary Deferral Contributions, to contribute to the Plan up to 40 percent of their eligible compensation per year subject to IRS Code limitations. *See* Plan Amendment Three § 4.01(a); Plan Document § 6.02(a).

32. One of the investment options made available to participants by the Plan fiduciaries is the Countrywide Stock Fund. The Plan is not designed to require the Company Stock Fund. Rather, as discussed in more detail below, the Company Stock Fund is an optional feature of the Plan that the Plan Administrator "may select" as it determines appropriate for the investment of participants' accounts. Plan Document § 8.02(a).

33. Plan participants could invest up to 50 percent of their Salary Deferral Contributions in Company Stock. *Id*. § 8.04(c).

34. Despite making its contributions in Company Stock throughout the Class Period, the Company had the discretion to make Employer Matching Contributions and Employer Discretionary Contributions "**in cash or in Company Stock**" pursuant to the Plan document. *Id*. § 5.04.[1]

35. Additionally, the Company had discretionary authority for determining the amount, if any, of Employer Matching Contributions and Employer Discretionary Contributions for each eligible Plan participant. *See* Plan Document §§ 5.01, 5.02.

36. Participants were not fully vested in their Employer Contributions Accounts until five years of service. *See* Plan Document § 9.02; Ninth Amendment to the Countrywide Financial Corporation 401(k) Savings and Investment Plan § 9.02(b) (Jan. 1, 2006) (hereinafter "Plan Amendment Nine").

C. Company Stock in the Plan.

37. As stated in the Plan: "The Administrator may select such additional investment vehicles as it determines appropriate for the investment of Participants' Accounts, including, but not limited to, Company Stock." Plan Document § 8.02(a). Hence, whether to offer Company stock as an investment option is a discretionary feature

[1] The Plan was amended in November 2006 so that Employer Matching Contributions were to be made in Company Stock; however, the Company still had the discretion to make Employer Discretionary Contributions in either cash or Company Stock. *See* Eleventh Amendment to the Countrywide Financial Corporation 401(k) Savings and Investment Plan § 5.04(a) (Nov. 2, 2006) (hereinafter "Plan Amendment Eleven").

of the Plan over which Plan fiduciaries exercised control.

38. For most Plan participants, "the portions of a participant's account which in [sic] invested in Company Stock shall not be eligible for investment in any other Investment Fund." Plan Document § 8.04(a).

39. The Plan Administrator had the discretion to "adopt rules permitting Participants to elect to invest all or a portion of the Company Stock held in their Accounts in another Investment Fund." *Id*. at § 8.04(b).

40. During the Class Period, Countrywide Company Stock represented more than 30 percent of the Plan's net assets. *See* 2006 Form 11-K.

41. The Plan has incurred substantial losses as a result of the Plan's investment in Countrywide stock. As of December 31, 2006, the Plan held approximately 9 million shares of Countrywide stock, then having a market value of approximately $350 million. *Id*. at 12. Following revelations that Countrywide engaged in predatory subprime lending practices, among other improper practices, Countrywide stock trades at approximately $9.01 per share as of the date of this Complaint, representing a decline of approximately 72 percent since the beginning of the Class Period. Upon information and belief, the value of Countrywide stock in the Plan is now approximately $80 million.

42. While the duty to diversify does not apply to investment in Company stock in the plan, ERISA § 404(a)(2), 29 U.S.C. § 1104(a)(2), the fiduciaries remain bound by the other core ERISA fiduciary duties, including the duties to act loyally, prudently, and for the exclusive purpose of providing benefits to plan participants.

43. Hence, if plan fiduciaries know or if an adequate investigation would have revealed that company stock no longer was a prudent investment, the fiduciaries are required to discontinue offering the stock as a plan investment option, provide complete and accurate information to plan participants of the risk of continuing to make and maintain investment in the stock, and, to the extent appropriate under the circumstances,

sell the plan's holding of company stock, and invest the plan assets in other suitable investments. Defendants took none of these actions.[2]

D. Purported ESOP Component.

44. In October, 1991, the "Countrywide Credit Industries, Inc. Profit Sharing Stock Ownership Plan ("ESOP") was merged into the Plan and the ESOP accounts were transferred to the Plan." Plan Document at "Purpose." After the merger, the "Plan consisted of a profit-sharing plan with 401(k) and employee stock ownership plan features. . . ." *Id.*

45. An employee stock ownership plan is an ERISA plan that is designed to invest primarily in "qualifying employer securities." 29 U.S.C. § 1107(d)(6)(A). As with a 401(k) plan without an ESOP component, fiduciaries of an ESOP remain bound by core ERISA fiduciaries duties, including the duties to act loyally, prudently, and for the exclusive purpose of providing benefits to plan participants.

46. On information and belief, the Plan did not satisfy all of the statutory and regulatory mandates with respect to ESOP design and/or operation. For example, the ESOP component is not designed to invest primarily in qualifying employer securities in violation of 29 C.F.R. § 2550.4073-6(b).

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[2] In November, 2006, around the time the Pension Protection Act of 2006 went into effect, the Plan was amended so that a Participant could direct investments in Company Stock out of the Employer Contribution Account, whether or not such contributions had vested. *See* Plan Amendment Eleven § 8.03(e); Pension Protection Act of 2006 § 901(a)(1), I.R.C. § 401(a)(35) (allowing a plan participant with at least three years of service to divest the portion of the account invested in employer securities that is attributable to employer contributions in other investment options). Additionally at this time, the Plan was amended so that a participant could change his or her "investment election with respect to existing investments in Company stock in his or her Account, provided that at the time of such change, including exchanges from other available investment options, the value of the Participants' investment in Company Stock shall not exceed fifty percent (50%) of the total value of the Account." Plan Amendment Eleven § 8.04(c).

47. Yet, even if the Plan is found to have an ESOP component, if the fiduciaries know or if an adequate investigation would reveal that company stock no longer is a prudent investment, the fiduciaries must disregard plan direction to maintain investments in such stock and protect the plan by investing the plan assets in other suitable investments. Here, this course of action was all the more appropriate because Company stock was not a required feature of the Plan, but, to the contrary, was a discretionary feature made available at the direction of the Plan Administrator.

VI. DEFENDANTS' FIDUCIARY STATUS

A. The Nature of Fiduciary Status.

48. **Named Fiduciaries.** Every ERISA plan must have one or more "named fiduciaries." ERISA § 402(a)(1), 29 U.S.C. § 1102(a)(1). The person named as the "administrator" in the plan instrument is automatically a named fiduciary, and in the absence of such a designation, the sponsor is the administrator. ERISA § 3(16)(A), 29 U.S.C. § 1002(16)(A).

49. **De Facto Fiduciaries.** ERISA treats as fiduciaries not only persons explicitly named as fiduciaries under § 402(a)(1), 29 U.S.C. § 1102(a)(1), but also any other persons who in fact perform fiduciary functions. Thus, a person is a fiduciary to the extent "(i) he exercises any discretionary authority or discretionary control respecting management of such plan or exercises any authority or control respecting management or disposition of its assets, (ii) he renders investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of such plan, or has any authority or responsibility to do so, or (iii) he has any discretionary authority or discretionary responsibility in the administration of such plan." ERISA § 3(21)(A)(i), 29 U.S.C. § 1002(21)(A)(i).

50. Each of the Defendants was a fiduciary with respect to the Plan and owed fiduciary duties to the Plan and the participants under ERISA in the manner and to the extent set forth in the Plan's documents, through their conduct, and under ERISA.

51. As fiduciaries, Defendants were required by ERISA § 404(a)(1), 29 U.S.C. § 1104(a)(1), to manage and administer the Plan, and the Plan's investments solely in the interest of the Plan's participants and beneficiaries and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

52. Plaintiff does not allege that each Defendant was a fiduciary with respect to all aspects of the Plan's management and administration. Rather, as set forth below, Defendants were fiduciaries to the extent of the specific fiduciary discretion and authority assigned to or exercised by each of them, and, as further set forth below, the claims against each Defendant are based on such specific discretion and authority.

53. Instead of delegating all fiduciary responsibility for the Plan to external service providers, Countrywide chose to assign the appointment and removal of fiduciaries to the monitoring Defendants named herein. These persons and entities in turn selected Countrywide employees, officers and agents to perform most relevant fiduciary functions.

54. ERISA permits fiduciary functions to be delegated to insiders without an automatic violation of the rules against prohibited transactions, ERISA § 408(c)(3), 29 U.S.C. § 1108(c)(3), but insider fiduciaries, like external fiduciaries, must act solely in the interest of participants and beneficiaries, not in the interest of the Plan sponsor.

B. The Company's Fiduciary Status.

55. Pursuant to the Plan document, up until the Plan was amended in November, 2006, the Company was the "Administrator" of the Plan, as that term is defined under ERISA, and a "Named Fiduciary" for purposes of Section 402(a)(2) of ERISA. Plan Document §§ 14.01, 14.04; Amendment Number Five to the Countrywide Financial Corporation 401(k) Savings and Investment Plan § 14.01 (June 15, 2004) (hereinafter "Plan Amendment Five"); Countrywide Financial Corporation Statement of Investment Objectives and Policies for the 401(k) Savings and Investment Plan at 2 (July 7, 2003)

(hereinafter the "2003 Statement") (attached as Exhibit B).

56. The Company's authority and powers included the following:

(a) to administer and construe the Plan, subject to applicable requirements of law.

***

(ii) To make and enforce such rules and regulations, which shall be uniform and nondiscriminatory, and to prescribe such forms, as it deems necessary or proper for the efficient administration of the Plan;

(iii) To construe and interpret the Plan, to resolve ambiguities, and inconsistencies and to supply omissions with respect to the Plan provisions, which determinations shall be final and conclusive on all persons claiming benefits under the Plan;

(iv) To decide all questions concerning the Plan. . . .

***

(v) To determine the amount of benefits which shall be payable to any person in accordance with the provisions of the Plan;

(vi) To retain such consultants, accountants and attorneys as may be deemed necessary or desirable to render statements, reports, and advice with respect to the Plan and to assist the Administrator in complying with all applicable rules and regulations affecting the Plan; any consultants, accountants and attorneys may be the same as those retained by the Plan; and

(vii) To exercise all other powers specified in the Plan.

(b) The Administrator may adopt such rules for the conduct of its affairs as it deems appropriate.

(c) Any decisions and determinations made by the Administrator pursuant to its duties and powers described in the Plan shall be conclusive and binding upon all parties. The Administrator shall have sole discretion in carrying out

its responsibilities.

Plan Document § 14.02.

57. Such duties were to be performed on behalf of the Company by such "persons or committee as may be appointed by the Board of Directors" of Countrywide. *Id*. at § 14.01.

58. The Company could delegate its duties and could appoint "accountants, actuaries, legal counsel, investment advisors, investment managers, claims administrators, specialists and other persons as the Administrator deems appropriate in connection with administering the Plan." *Id*. at § 14.03.

59. Moreover, upon information and belief, in order to comply with ERISA, during at least part of the Class Period the Company exercised responsibility for communicating with participants regarding the Plan in a plan-wide, uniform, mandatory manner, by means of the Plan's Summary Plan Description ("SPD"). *See* ERISA § 101(a)(1) (requiring the plan administrator to furnish to each participant covered under the plan and to each beneficiary who is receiving benefits under the plan a summary plan description). These SPDs incorporated by reference Countrywide's SEC filings, thus converting such materials into fiduciary communications.

60. The Company, as Plan Administrator, was responsible for determining whether to offer Company stock as a Plan investment option. Plan Document § 8.02(a). Furthermore, the Company was responsible for determining the amount, if any, of Employer Matching and Employer Discretionary Contributions, as well as the discretion of allocating the Employer Matching Contributions and/or Employer Discretionary Contributions "in cash or in Company Stock." *Id*. at § 5.04; *see supra* text accompanying note 1.

61. Additionally, while the Plan provided that "the portion of a Participant's Account which in [sic] invested in Company Stock shall not be eligible for investment in any other Investment Fund," the Company had the discretion to "adopt rules permitting Participants to elect to invest all or a portion of the Company Stock held in their

Accounts in another Investment Fund." *Id*. at § 8.04(b)-(c).

62. Moreover, Countrywide, at all applicable times, has exercised control over the activities of its employees that performed fiduciary functions with respect to the Plan, including the Administrative Committee Defendants and the Investment Committee Defendants, and, on information and belief, can hire or appoint, terminate, and replace such employees at will. Countrywide is, thus, responsible for the activities of its employees through traditional principles of agency and *respondeat superior* liability.

63. Finally, under basic tenants of corporate law, Countrywide is imputed with the knowledge that the Defendants had knowledge of the misconduct alleged herein, even if not communicated to Countrywide.

64. Consequently, in light of the foregoing duties, responsibilities, and actions, the Company was both a named fiduciary of the Plan pursuant to ERISA § 402(a)(1), 29 U.S.C. § 1102(a)(1), and *de facto* fiduciary within the meaning of ERISA § 3(21), 29 U.S.C. § 1002(21), in that it exercised discretionary authority or discretionary control respecting management of the Plan, exercised authority or control respecting management or disposition of the Plan's assets, and/or had discretionary authority or discretionary responsibility in the administration of the Plan.

C. The Director Defendants' Fiduciary Status Under the Plan.

65. Countrywide, as a corporate entity, cannot act on its own without any human counterpart. In this regard, during the Class Period, upon information and belief, Countrywide relied and continues to rely directly on the members of the Board to carry out certain of its fiduciaries responsibilities with respect to the Plan. As a result, the Director Defendants are functional fiduciaries under ERISA.

66. Moreover, upon information and belief, the Director Defendants established the Compensation Committee, Investment Committee and Administrative Committee to carry out fiduciary duties with respect to the Plan. *Id*. at § 14.01; Compensation Committee Charter at 1 (attached hereto as Exhibit C); Plan Amendment Five § 14.01.

67. Pursuant to the Compensation Committee Charter, the Director Defendants delegated to the Compensation Committee the duty to appoint and monitor the Investment and Administrative Committees. Compensation Committee Charter at 3. As the Compensation Committee was to report regularly to the Director Defendants according to the Compensation Committee Charter, the Director Defendants retained fiduciary responsibility in this respect. *Id*. at 1.

68. As a result of this appointment authority, the Director Defendants were required to monitor, provide critical information to their appointees regarding the Company and the Plan, and if prudence so dictated, remove the members of the Compensation Committee, Investment Committee and Administrative Committee who failed to faithfully discharge their responsibilities under ERISA. Plan Document § 14.01; Compensation Committee Charter at 3; Plan Amendment Five § 14.01.

69. Thus, according to Department of Labor regulations, the Director Defendants exercised a fiduciary function under ERISA. 29 C.F.R. § 2509.75-8 (D-4).

70. Consequently, in light of the foregoing duties, responsibilities, and actions, the Director Defendants were both named fiduciaries of the Plan pursuant to ERISA § 402(a)(1), 29 U.S.C. § 1102(a)(1), and *de facto* fiduciaries of the Plan within the meaning of ERISA § 3(21), 29 U.S.C. § 1002(21), during the Class Period in that they exercised discretionary authority or discretionary control respecting management of the Plan, exercised authority or control respecting management or disposition of the Plan's assets, and/or had discretionary authority or discretionary responsibility in the administration of the Plan.

D. The Compensation Committee Defendants' Fiduciary Status.

71. During at least part of the proposed Class Period, the Board of Directors was to appoint persons or committees to perform Plan duties on behalf of the Company. Plan Document § 14.01; Plan Amendment Five § 14.01.

72. Pursuant to the Compensation Committee Charter (attached hereto as Exhibit C), the Compensation Committee has the duty "to discharge the responsibilities

of the Board of Directors [of Countrywide] relating to the compensation of the Company's Directors, executives, and employees." Compensation Committee Charter at 1.

73. In regards to the Plan, the Compensation Committee has the authority and duty to "appoint or remove individuals authorized to make administrative and investment decisions on behalf of the Company with respect to employee benefit plans, including but not limited to, the Company's 401(k) and pension plans and monitor their performance." *Id*. at 3.

74. The Compensation Committee appointed and had a duty to monitor members of the Investment Committee. Countrywide Financial Corporation 401(k) Savings and Investment Plan Statement of Investment Policy at 1 (Oct. 1, 2006) (hereinafter the "2006 Statement") (attached as Exhibit D) ("The Compensation Committee…has appointed the Investment Committee to oversee the investment alternatives made available to participants and beneficiaries under the Plan").

75. In addition to appointing members of the Investment Committee, per the 2006 Statement, the Compensation Committee also had the responsibility to "terminate members of the Investment Committee at any time, with or without cause." *Id*. at 3.

76. Per the 2003 Statement, the Compensation Committee delegated to the Investment Committee, "the authority and powers [sic] for selection of investment funds and monitoring performance of investment funds." 2003 Statement at 2.

77. Upon information and belief, the Compensation Committee appointed and had a duty to monitor members of the Administrative Committee. Thus, according to Department of Labor regulations, the Compensation Committee exercised a fiduciary function under ERISA. 29 C.F.R. § 2509.75-8 (D-4).

78. Additionally upon information and belief, the Compensation Committee made regular reports to the Board regarding its duties under the Compensation Committee Charter, including its appointment and monitoring duties of the Investment and Administrative Committees. *See* Compensation Committee Charter at 1 ("The

Committee shall make regular reports to the Board.").

79. Consequently, in light of the foregoing duties, responsibilities, and actions, the Compensation Committee Defendants were fiduciaries of the Plan within the meaning of ERISA § 3(21), 29 U.S.C. § 1002(21), during the Class Period in that they exercised discretionary authority or discretionary control respecting management of the Plan, exercised authority or control respecting management or disposition of the Plan's assets, and/or had discretionary authority or discretionary responsibility in the administration of the Plan.

80. The Compensation Committee also had a duty to report to the Board pursuant to the Compensation Committee Charter at 1.

E. The Administrative Committee Defendants' Fiduciary Status.

81. The Plan provides that as of November 2006, the Administrative Committee is the "Plan Administrator," and as the Administrator it shall have the following powers and duties:

(i). To require any person to furnish such information as it may request for the purpose of the proper administration of the Plan as a condition to receiving benefits under the Plan;

(ii). To make and enforce such rules and regulations, which shall be uniform and nondiscriminatory, and to prescribe such forms, as it deems necessary or proper for the efficient administration of the Plan;

(iii). To construe and interpret the Plan, to resolve ambiguities, and inconsistencies and to supply omissions with respect to the Plan provisions, which determinations shall be final and conclusive on all persons claiming benefits under the Plan;

(iv). To decide all questions concerning the Plan, including the eligibility of any person to participate in the Plan and the status and rights of any Participant or Beneficiary under the Plan;

(v). To determine the amount of benefits which shall be payable to any person in accordance with the provisions of the Plan;

(vi). To retain such consultants, accountants and attorneys as may be deemed necessary or desirable to render statements, reports, and advice with respect to the Plan and to assist the Administrator in complying with all applicable rules and regulations affecting the Plan; any consultants, accountants and attorneys may be the same as those retained by the Plan; and

(vii). To exercise all other powers specified in the Plan.

Plan Amendment Eleven § 14.01; Plan Document § 14.02(a)(i) – (vii).

82. Moreover, upon information and belief, in order to comply with ERISA, during at least part of the Class Period the Administrative Committee exercised responsibility for communicating with participants regarding the Plan in a plan-wide, uniform, mandatory manner, by means of the Plan's SPDs. *See* ERISA § 101(a)(1) (requiring the plan administrator to furnish to each participant covered under the plan and to each beneficiary who is receiving benefits under the plan a summary plan description). These SPDs incorporated by reference Countrywide's SEC filings, thus converting such materials into fiduciary communications.

83. Consequently, in light of the foregoing duties, responsibilities, and actions, the Administrative Committee Defendants were both named fiduciaries of the Plan pursuant to ERISA § 402(a)(1), 29 U.S.C. § 1102(a)(1), and *de facto* fiduciaries within the meaning of ERISA § 3(21), 29 U.S.C. § 1002(21), in that they exercised discretionary authority or discretionary control respecting management of the Plan, exercised authority or control respecting management or disposition of the Plan's assets, and/or had discretionary authority or discretionary responsibility in the administration of the Plan.

F. The Investment Committee Defendants' Fiduciary Status.

84. The Plan provides that the Investment Committee is a "Named Fiduciary" for purposes of § 402(a) of ERISA. It has been delegated the responsibility of selecting the investments in the Plan and monitoring the performance of the investment funds. *See* Plan Document § 14.01; Plan Amendment Five § 14.01; Plan Amendment Eleven § 14.01; *see also* 2003 Statement at 1 ("The Investment Committee has been appointed to oversee the investments of the Plans"); 2006 Statement at 1 ("The Compensation Committee has appointed the Investment Committee to oversee the investment alternatives made available to participants and beneficiaries of the Plan"). Upon information and belief, the Investment Committee discharged this responsibility together with the Plan Administrator pursuant to § 8.02(a) of the Plan.

85. Pursuant to the 2003 Statement, the Investment Committee was charged with the following objectives:

- to provide an array of diverse investment options that enables Plan participates to select investments or groups of investments that have various return and risk characteristics to meet their individual retirement goals;
- to provide Plan participants with sufficient education on asset allocation, diversification, risk tolerance, and long term and short term planning, so that participants may make reasoned, logical, decisions regarding their individual investment program within the Plan;
- to monitor the progress of each investment option to determine compliance with established goals and objectives; and
- to ensure that the Plan operates in compliance with all existing laws and regulations governing the management and operation of retirement plans.

Id. at 1. In addition, the 2003 Statement provides that the Investment Committee ensure a sufficient number of investment options are provided such that participants will be able to structure an individual investment program that spans a broad spectrum of return and risk and sets out several guidelines for the selection of Plan investment options. *Id*. at 2-3.

86. The 2006 Statement, sets out that the following goals for the Investment Committee:

- Offer an appropriate number of investment options covering a range of expected risk and return characteristics sufficient to provide participants with the opportunity to create a total portfolio appropriate to their investment circumstances and risk tolerance;
- Provide participants with the right to transfer among investment options with sufficient frequency, commensurate with the volatility of the investments;
- Choose a flexible administrative platform with access to investment options that have reasonable total costs to participants, and which offer competitive returns for the risks assumed; and
- Select and retain investment managers/funds with strong, disciplined investment capabilities, consistent application of investment strategy, stable portfolio management teams, and a demonstrated record of strong performance to manage the investment options.

2006 Statement at 2. The 2006 Statement further dictates that the Investment Committee has the responsibility to:

- Identify [sic] appropriate investment asset classes and select funds within those classes;
- Develop, review and revise the Plan's Investment Policy Statement;
- Hire and remove fund mangers and consultants;
- Evaluate fund mangers and performance at least quarterly;
- Evaluate consultants' performance and fees no less frequently than every other year;
- Monitor recordkeeping and investment fees at least annually; and
- Meet at least quarterly to review the Plan's funds and performance.

Id. at 3.

87. When adding or replacing an investment option, the 2006 Statement provides that the Investment Committee shall consider various factors including the experience of investment professionals; stability of ownership; consistent portfolio characteristics/ investment style; demonstrated record of favorable performance on a net of fee basis when compared to relevant market indices, relevant peer groups, and when adjusted for risk; and an approach providing adequate diversification to protect against loss associated with single security, issuer or event. *Id*. at 9.

88. Moreover, the Investment Committee is required to review the investment managers and fund providers at least quarterly based on relevant criteria such as: adherence to guidelines; relative results as compared with a universe of like managers; etc. *Id*. As part of this function, the Investment Committee was required to discontinue investment options which exhibited poor or inconsistent risk management; loss of key investment professionals; significant or intentional breach of mandate or directive; underperformance measured over a reasonable time period given the specific circumstances of the fund's investment strategy. *Id*. at 10.

89. Consequently, in light of the foregoing duties, responsibilities, and actions, the Investment Committee Defendants were both named fiduciaries of the Plan pursuant to ERISA § 402(a)(1), 29 U.S.C. § 1102(a)(1), and *de facto* fiduciaries within the meaning of ERISA § 3(21), 29 U.S.C. § 1002(21), in that they exercised discretionary authority or discretionary control respecting management of the Plan, exercised authority or control respecting management or disposition of the Plan's assets, and/or had discretionary authority or discretionary responsibility in the administration of the Plan.

VII. FACTS BEARING ON FIDUCIARY BREACH

A. Countrywide Was an Imprudent Investment for the Plan during the Class Period Because of its Serious Mismanagement, Precipitous Decline in the Price of its Stock and Dire Financial Condition.

1. Summary.

90. During the Class Period, Countrywide stock became an imprudent investment for participants' retirement savings because of, *inter alia*, the Company's

highly risky, inappropriate and potentially unlawful origination practices and serious financial mismanagement which caused the value of Countrywide stock to be artificially inflated and exposed the Plan to huge losses as a result of such circumstances.

91. Countrywide's inappropriate and potentially unlawful origination practices and serious mismanagement pertains to, among other problems, Countrywide's (1) predatory and highly risky lending practices; (2) lack of adequate internal controls over its improper lending practices contributing to high delinquency and foreclosure rates among borrowers; and (3) misleading statements and misrepresentations regarding the Company's financial condition which caused the price of Countrywide stock to be artificially inflated during the Class Period. In short, during the Class Period, the Company was seriously mismanaged, engaged in potentially unlawful conduct regarding which government investigations have been initiated, and faced dire financial circumstances as a result of the aforementioned circumstances. Accordingly, investment in Countrywide stock under these circumstances was imprudent and caused the Plan to suffer enormous losses.

2. The Rise of the Subprime Lending Industry.

92. Countrywide, like the mortgage industry as a whole, saw rapid growth in its origination of subprime loans in recent years. Between 2003 and 2005, Countrywide's production of subprime loans doubled, from $19.8 billion to $44.6 billion. Annual Report (Form 10-K) at 3 (Dec. 31, 2006) (hereinafter the "2006 Form 10-K").

93. The proliferation of subprime loans has been attributed by many industry experts to a confluence of factors that occurred in 2004 and 2005, including rising home prices, declining affordability, historically low interest rates, intense lender competition, innovations in the structure and marketing of mortgages, and an abundance of capital from lenders and mortgage securities investors. *See* Sandra L. Thompson, Dir., Div. of Supervision and Consumer Prot., *Testimony Before the Committee on Banking, Housing and Urban Affairs, U.S. Senate: Federal Deposit Insurance Corporation on Mortgage Market Turmoil: Causes and Consequences*, Mar. 22, 2007, *available at*

http://www.fdic.gov/news/news/speeches/chairman/ spmar22071.html.

94. Upon information and belief, in 2004, as interest rates began to climb, the pool of potential prime borrowers looking to refinance began to dry up and lenders began extending loans to subprime borrowers with troubled credit histories in an effort to maintain or grow market share in a declining origination environment.

95. In order to take advantage of this new market, lenders began weakening their underwriting standards, including:

(a). reducing the minimum credit score borrowers need to qualify for certain loans;

(b). allowing borrowers to finance a greater percentage of a home's value or to carry a higher debt load;

(c). introducing new products designed to lower borrowers' monthly payments for an initial period; and

(d). allowing borrowers to take out loans with little, if any, documentation of income and assets.

See Ruth Simon, *Mortgage Lenders Loosen Standards – Despite Growing Concerns, Banks Keep Relaxing Credit-Score, Income and Debt-Load Rules*, Wall St. J., July 26, 2005, at D1.

96. In addition to lowering underwriting standards, lenders began offering novel loan products to entice borrowers which put them at greater risk of defaulting:

(a). **No-documentation and low-documentation loans**: Known in the industry as "liar loans," the practice of requiring little or no documentation from borrowers constituted as much as 40 percent of subprime mortgages issued in 2006, up from 25 percent in 2001. *See* Gretchen Morgenson, *Crisis Looms In Mortgages*, N.Y. Times, Mar. 11, 2007.

(b). **Piggy-back loans**: These combine a mortgage with a home-equity loan or line of credit, allowing borrowers to finance more than 80 percent of the home's value without paying for private mortgage insurance. As of

2006, about half of all subprime loans included "piggyback" loans, and on average all borrowers financed 82 percent of the underlying value of their property, markedly up from 48 percent in 2000. *See Id.*; James R. Hagerty & Ruth Simon, *Home Lenders Pare Risky Loans – More Defaults Prompt Cut in 'Piggyback' Mortgages; Housing Market May Suffer*, Wall St. J., Feb. 14, 2007, at A3.

(c). **Interest-only mortgages**: These allow borrowers to pay interest and no principal in the loan's early years, which keep payments low for a time, but require that the deferred payment of principal be made in the future through increased monthly or balloon payments.

(d). **Option adjustable-mortgages**: The most prevalent of which are hybrid adjustable rate mortgages ("ARMs"), the loans are marketed with promotional or "teaser" rates during the loan's introductory period that later balloon to much higher rates once the introductory period has ended. ARMs currently account for between one-half and one-third of subprime mortgages. *See* Testimony of Roger T. Cole, Director, Division of Banking Supervision and Regulation, The Federal Reserve Board, *Mortgage Markets*, Before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, Mar. 22, 2007, *available at* http://www.federalreserve.gov/boarddocs/testimony/2007/20070322/default.htm.

3. The Fall of the Subprime Lending Industry.

97. As early as 2004, industry watchdogs began expressing growing fears that relaxed lending practices were increasing risks for borrowers and lenders in overheated housing markets. *See* Simon, *Mortgage Lenders*, *supra*. As lenders were making it easier for borrowers to qualify for a loan by such practices as described above, they were also greatly increasing the likelihood that borrowers would be unable to make payments, and that defaults would rise. Of particular concern was the prevalence of adjustable-rate loans, which in combination with the lowered lending standards, were more likely to

result in borrowers' early payment defaults.

98. In May 2005, bank regulators issued their first-ever guideline for credit-risk management for home-equity lending and, in December 2005, new guidelines for mortgage lenders were issued as well. *Id*.; Testimony of Sandra L. Thompson, *supra*. The proposed "Interagency Guidance on Nontraditional Mortgage Product Risks" sent a clear message to the marketplace that bank regulators were concerned about the lessened underwriting standards and general lax risk management practices of subprime lenders.

99. As of mid-2005, delinquency rates for subprime loans (60-days or more past due) rose for the first time since 2002. By the fourth quarter of 2005, delinquencies and foreclosures began to rise even more severely -- as of October 2005 the delinquency rate was twice that recorded on new subprime loans a year earlier. *See* Simon & Hagerty, *More Borrowers*, *supra*.

100. According to the FDIC, total subprime delinquencies rose from 10.33 percent in the fourth quarter of 2004 to 13.33 percent in the fourth quarter of 2006 and foreclosures rose from 1.47 percent to 2.0 percent over the same period. Testimony of Sandra L. Thompson, *supra*.

101. Subprime loans with ARMs accounted for the largest rise in delinquency rates, an increase from 9.83 percent to 14.44 percent between the fourth quarter of 2004 and the fourth quarter of 2006; whereas foreclosures rose from 1.5 percent to 2.7 percent during the same period. *Id*.

102. In 2006 alone, roughly 80,000 subprime borrowers fell into delinquency, many shortly after origination. *See* Simon & Hagerty, *More Borrowers*, *supra*.

103. In short, the rate of delinquency and foreclosure suggests that lenders underestimated the risk involved and borrowers did not fully understand the full costs of these loans.

B. Countrywide Engaged in Risky and Inappropriate Subprime Lending Practices and Serious Mismanagement.

104. Despite the many warnings issued by industry analysts and government regulators, as well as other negative indicators, such as rising interest rates and a cooling housing market, for much of the Class Period, Countrywide continued to engage in risky, inappropriate and potentially unlawful lending practices and to make inaccurate prognostications about its financial future.

1. Countrywide's Aggressive Lending Practices.

105. In August 2007, *The New York Times* revealed that Countrywide had engaged in predatory lending practices by steering borrowers to risky subprime loans with unfavorable terms in order to generate greater profits for the Company:

> On its way to becoming the nation's largest mortgage lender, the Countrywide Financial Corporation encouraged its sales force to court customers over the telephone with a seductive pitch that seldom varied. 'I want to be sure you are getting the best loan possible,' the sales representatives would say.
>
> But providing 'the best loan possible' to customers wasn't always the bank's main goal, say some former employees. Instead, potential borrowers were often led to high-cost and sometimes unfavorable loans that resulted in richer commissions for Countrywide's smooth-talking sales force, outsize fees to company affiliates providing services on the loans, and a roaring stock price that made Countrywide executives among the highest paid in America.
>
> Countrywide's entire operation, from its computer system to its incentive pay structure and financing arrangements, is intended to wring maximum profits out of the mortgage lending boom no matter what it costs borrowers, according to interviews with former

> employees and brokers who worked in different units of the company and internal documents they provided. One document, for instance, shows that until last September the computer system in the company's subprime unit excluded borrowers' cash reserves, which had the effect of steering them away from lower-cost loans to those that were more expensive to homeowners and more profitable to Countrywide.

Gretchen Morgenson, *Inside the Countrywide Lending Spree*, N.Y. Times, Aug. 26, 2007.

106. Many of the loans Countrywide forced on uninformed borrowers contained unfavorable terms such as teaser interest rates which were reset to double digits after the teaser period expired, while others carried prohibitive prepayment penalties that made refinancing impossibly expensive. *Id*.

107. Upon information and belief, Countrywide incentivized its brokers to market these unfavorable terms by offering them extra commissions if they did so. *Id*. For example, upon information and belief, brokers could earn equal to 1 percent of the loan's value if they added a three-year prepayment penalty to the loan. *Id*. In addition, upon information and belief, brokers could earn higher commissions for building higher reset rates into the adjustable rate loans after the teaser period expired. *Id*.

108. Upon information and belief, Countrywide made such loans because the Company's profit margin from the securitization and sale of these loans in the secondary market was greater and thus the company's commission structure rewarded sales representatives for making risky, high-cost loans.

109. However, Countrywide's business model, which prioritizes fees and commissions over financial viability of loans, has resulted in massive delinquencies in its subprime loans and has compromised the financial circumstances of the Company. 20.15 percent of subprime loans made by Countrywide were delinquent as of June 30, 2007, up from 14.41 percent in the same period the preceding year. *Id*.; Countrywide Financial Corp. Quarterly Report (Form 10-Q) (June 30, 2007) at 92. Moreover, almost 10 percent

of subprime mortgages were delinquent by 90 days or more compared with the previous year's rate of 5.35 percent. Morgenson, *Inside the Countrywide Lending Spree*, *supra*. At the end of 2006, delinquencies for Countrywide's subprime loans had increased to 19.03 percent, up 25 percent from the previous year's rate (15.20 percent) and up more than 68 percent from the delinquency rate in 2004 (11.29 percent). 2006 Form 10-K at 9. As of the third quarter of 2007, 450,000, or 5 percent of Countrywide's nearly nine million mortgages are delinquent. Gretchen Morgenson, *Can These Mortgages Be Saved?*, N.Y. Times, Sept. 30, 2007.

110. Countrywide's unscrupulous lending practices are currently the subject of a U.S. Senate panel investigating the current housing and mortgage crisis. In a recent press conference the panel's chair, Senator Charles Schumer, noted in amazement that 40 percent of subprime loans facing foreclosure could have qualified as prime-rate loans. John Godfrey, *Schumer Tells Countrywide to End Lending Practices*, Wall St. J., Aug. 29, 2007. Senator Schumer called on Countrywide to end "its bad business practices and reverse some the damage it has already inflicted on our housing market." *Press Conference with Senator Charles Schumer (D-NY): Countrywide and Subprime Loans*, Fed. News Service, Aug. 29, 2007, *available at* http://text.fednews.com/transcript.htm?id=20070829t0480&query=schumer&SLID=83ea7d275d2a0272eec4f75384376875.

2. Countrywide Continued to Offer Subprime Loans Despite the High Risk of Default or Foreclosure.

111. For much of the Class Period, Countrywide continued to extend subprime loans to borrowers which contained many of the weakened lending terms discussed in Section VII. A.2, *supra*. Countrywide's aggressive marketing of these loans resulted in massive increases in loan delinquencies and foreclosures and put the financial health of the Company in jeopardy.

112. Between 1999 and 2003, fixed-rate loans accounted for 82-95 percent of loans originated by Countrywide. *See* Gretchen Morgenson & Geraldine Fabrikant,

Countrywide's Chief Salesman and Defender, N.Y. Times, Nov. 11, 2007. In 2004, Countrywide altered its loan mix significantly: ARMs accounted for 49 percent of the Company's business, up from 18 percent in 2003. *Id*. Countrywide's subprime loan business also grew as a percentage of total originations: from 4.6 percent in 2003 to 11 percent in 2004. *Id*.

113. By 2006, Countrywide ranked as one of the largest subprime lender in the country -- originating $40.5 billion in subprime mortgage loans. 2006 Form 10-K at 3; *See* Nat'l Mortgage News Online, available at http://data.nationalmortgagenews.com. And again, for the first quarter of 2007, the Company ranked as both the number one subprime originator ***and*** the number one subprime servicer. *See* Nat'l Mortgage News Online, *supra*.

114. In early 2007, the result of Countrywide's aggressive and risky origination practices were revealed when, as discussed at ¶ 109 *supra*, the Company issued its Annual Report, detailing the marked increase in delinquencies and loan foreclosures for the subprime loans the Company was servicing.

115. Countrywide also reported that foreclosures for subprime loans increased to 3.53 percent, more than doubling the rate of 1.74 percent in 2004. 2006 Form 10-K at 9. Countrywide's loans pending in foreclosure comprised 0.65 percent of its total loans in 2006, up from 0.44 percent in 2005 and 0.42 percent in 2004. *Id*.

116. However, it was not until late February 2007 that Countrywide began to tighten up its origination terms. For instance, the Company continued to originate loans comprising more than 95 percent of a home's appraised value and required no documentation of a borrower's income until February 23, 2007. *See* Gretchen Morgenson, *Inside the Countrywide Lending Spree*, N.Y. Times, Aug. 26, 2007.

117. And it was not until March 2007, that Countrywide instructed its brokers to stop offering borrowers the option of no-money-down home loans, or "piggyback" loans, which were responsible for a steep rise in delinquencies. In a Company email Countrywide told its loan originators: "Please get in any deals over 95 LTV (loan-to-

value) today!... Countrywide BC will no longer be offering any 100 LTV products as of Monday, March 12." *Countrywide Ends No Down-Payment Lending*, Reuters, Mar. 9, 2007.

118. Moreover, as recently as July 27, 2007, Countrywide's product list showed that it would lend $500,000 to a borrower rated C-, the second riskiest grade. As long as the loan represented no more than 70 percent of the property's underlying value, the Company would lend to a borrower with a credit score as low as 500. Morgenson, *Inside the Countrywide Lending Spree*, *supra*. In fact, the Company would lend even if the borrower had been 90 days late on a current mortgage payment twice in the last 12 months, if the borrower had filed for personal bankruptcy protection, or if the borrower had faced foreclosure or default notices on his or her property. *Id*.

119. Finally, in mid-August 2007, after Countrywide's stock had lost approximately 40 percent of its value since the beginning of the Class Period, the Company announced that it would make significant changes to its operations by limiting itself to mortgages which can be bought by government-backed agencies, Freddie Mac and Fannie Mae. Vikas Bajaj, *Big Changes and Big Loan for Lender*, N.Y. Times, Aug. 17, 2007. The effort to clean up its act, however, came too late to prevent massive losses to the Plan caused by the investment in Countrywide stock.

3. Countrywide Failed to Sufficiently Reserve for Various Liabilities and Obligations Related to Mortgages that it Securitized or Sold.

120. Countrywide retains subordinated interests in mortgages that it securitizes and makes representations to buyers about performance and other characteristics of mortgages that it sells. The Company's Annual Report for 2006 reveals that Countrywide underreserved for credit risk arising from its retained subordinated interests and understated liabilities arising from representations it made regarding sold mortgages.

121. For instance, from 2005 to 2006 the Company increased its recorded reserves and liabilities at a rate much faster than the rate of increase of the related assets or revenue. And from December 31, 2005 to December 31, 2006, the value of

Countrywide's subordinated interests increased 16 percent, to $2.0 billion; during the same period, its allowance for credit losses increased more than twice as much, by 36 percent to $269.2 million. 2006 Form 10-K at 46.

122. Also during the same period, Countrywide's loan sales ***decreased*** two percent to $403 billion, while its liability for related representations and warranties ***increased*** by 108 percent to $390.2 million. 2006 Form 10-K at 45, 46.

123. Similarly, while Countrywide's revenue from gain on sale of loans increased approximately 17 percent during the period to $4.7 billion, its reserves for losses arising from gains on sale increased more than 300 percent, to $290.4 million from $66.5 million. 2006 Form 10-K at F-20-F-21. This increase in 2006 of the accumulation of liabilities or reserves for activities that occurred in past periods caused Countrywide's stock price to be artificially inflated during the Class Period.

4. Countrywide Failed to Provide Complete and Accurate Information to Participants Regarding the Excessive Risks of the Investment.

124. During much of the Class Period, Countrywide, and in particular Defendant Mozilo, provided incomplete and inaccurate information regarding the financial circumstances of the Company to Plan participants and the market as a whole.

125. On January 31, 2006, Countrywide announced results for the quarter and year ended December 31, 2005, touting its impressive growth including quarterly and 2005 net earnings of $639 million and $2.5 billion, respectively, compared to $370 million and $2.2 billion for the comparable periods in 2004. Defendant Mozilo boasted that:

> Importantly, we achieved these results despite an environment that included volatile interest rates; declining production profit margins throughout the industry; and the adverse effects of 2005's hurricanes, primarily Hurricane Katrina. If not for the hurricane charges, the Company would have surpassed its record of $4.18 per diluted share, achieved in the peak refinance boom year of 2003. Countrywide's

> exceptional performance in the 2005 environment is a reflection of the Company's ability to generate organic market share growth in its Mortgage Banking segment, and of the effective implementation of its strategy to expand its other business segments.'
>
> ***
>
> As we look ahead to 2006 and beyond, we expect to see the market transition continue, which should lead to substantial industry consolidation. In the past, Countrywide has benefited from consolidating environments by recruiting talented personnel and fortifying our infrastructure. Just as we have done for nearly four decades, we expect to emerge from challenging times as a stronger Company that is better positioned for the future. We continue to believe the long-term fundamentals of the housing and mortgage finance markets are strong as homeownership remains the foundation of the American dream. Shareholders should take comfort in knowing that Countrywide's workforce of more than 50,000 will continue to work toward making this dream available to all Americans.'

Countrywide Financial Corp., Current Report (Form 8-K) (Jan. 31, 2006).

126. On February 9, 2006, Countrywide issued a press release touting its continued growth, including operational results for January 2006 which announced that Countrywide had been named the number one mortgage originator and servicer for 2005 by an industry group and had increased its origination share by more than 3 percentage points from 2004 to reach 15.7 percent and widened its lead as the number one originator. Countrywide Financial Corp., Current Report (Form 8-K) (Feb. 9, 2006).

127. On March 9, 2006, Countrywide issued a press release touting its positive operational results for February 2006 which reflected "across-the-board growth compared to February 2005." Countrywide Financial Corp., Current Report (Form 8-K) (Mar. 9, 2006).

128. On April 11, 2006, Countrywide issued a press release touting its positive operational results for March 2006, including a growth in mortgage loan fundings of $40 billion, up 10 percent year-over-year and 29 percent over the prior month. Moreover, the Company reported that for the first quarter of 2006, mortgage loan fundings were up 13 percent over the first quarter of 2005 and refinance volume remained high, accounting for 55 percent of the first quarter's production. Countrywide Financial Corp., Current Report (Form 8-K) (Apr. 11, 2006).

129. On April 27, 2006 Countrywide a issued a press release touting its positive earnings for the first quarter, including net quarterly earnings of $684 million and diluted earnings per share were $1.10, as compared to $689 million in net earnings and $1.13 in diluted earnings per share for the first quarter of 2005, and $639 million in net earnings and $1.03 in diluted earnings per share for the fourth quarter of 2005. Defendant Mozilo explained that these results were achieved "[d]espite the challenges created by this environment" and demonstrated the "effectiveness of [Countrywide's] time-tested business model, our focus on mortgage lending and the continued diversification of our earnings base." Countrywide Financial Corp., Current Report (Form 8-K) (Apr. 27, 2006). He remarked further that "we remain confident in Countrywide's position within the industry. We will continue to capitalize upon consolidation and other industry dynamics to grow market share, enhance our infrastructure and create greater shareholder value." *Id*.

130. On July 13, 2006, Countrywide issued a press release announcing slowing in the mortgage loan production market as compared to the prior year, but touted its operational results as compared to the industry-wide rate of origination:

> 'Countrywide's mortgage loan production results for the month of June and the second quarter of 2006 reflected the year-over-year slowdown in activity across the industry,' said Stanford L. Kurland, President and Chief Operating Officer. 'While the Company's total mortgage loan fundings for the second quarter of 2006 declined by 3

> percent year-over-year, they were up 13 percent from the first quarter of 2006, reflecting seasonal improvement. This compared positively to the industry, where industry origination volume for the second quarter of 2006 was estimated by various industry sources to decline, on average, by approximately 13 percent year-over-year. In addition, compared to last month, mortgage loan fundings and average daily applications increased. The mortgage pipeline also remains strong at $65 billion, matching last month and indicative of near-term strength in funding volume for Countrywide.'

Countrywide Financial Corp., Current Report (Form 8-K) (July 13, 2006).

131. On July 24, 2006, Countrywide issued a press release touting its positive results for the second quarter, including "a 25 percent year-over-year growth in diluted earnings per share for the second quarter despite a 121 basis point rise in the 10-Year U.S. Treasury yield and a 3 percent decline in our total loan funding volume." Countrywide Financial Corp., Current Report (Form 8-K) (July 24, 2006). Defendant Mozilo, explained:

> This demonstrated the power of our business model, as the strategic counterbalancing of our Production and Servicing sectors fueled positive results in our Mortgage Banking segment. The ongoing growth initiatives in our other businesses are providing significant value to the consolidated franchise. Together, these activities help position the Company as a strong performer over the long term in a wide range of interest rate environments.

Id.

132. On August 9, 2006, Countrywide issued a press release announcing a decline in its operational results for July 2006, which stated in part:

- Mortgage loan fundings for the month of July were $36 billion, a decrease of 19 percent from July 2005. Year-to-date fundings of $256 billion were essentially flat as compared to last year.
- Monthly purchase volume in July was $17 billion as compared to $21 billion for July 2005. Year-to-date purchase activity of $119 billion was down 3 percent from last year.
- Adjustable-rate loan fundings for the month of July were $17 billion, a decline of 27 percent from July 2005. Year-to-date adjustable-rate volume was $125 billion, down 10 percent from last year.
- Average daily mortgage loan application activity in July was $2.5 billion, a decrease of 15 percent from last year. The mortgage loan pipeline was $62 billion at July 31, 2006 as compared to $77 billion at July 31, 2005.

Defendant Kurland, attributed the results in residential mortgage loan production to current market conditions, including the slowed pace of home sales. Countrywide Financial Corp., Current Report (Form 8-K) (Aug. 9, 2006).

133. On September 14, 2006, Countrywide again issued a press release announcing a decline in its operational results for the previous month, August 2006, as compared to the prior year. Defendant Mozilo attributed these results to the "expected industry slowdown." Countrywide Financial Corp., Current Report (Form 8-K) (Sept. 14, 2006).

134. On October 24, 2006, Countrywide announced, "In response to changing market conditions, management has initiated an expense and headcount reduction program. By year end, we expect that this program will generate an annualized cost savings run rate of over $500 million." The Company also announced:

> We anticipate the fourth quarter of 2006 will be characterized by a continued slowdown in purchase volume beyond typical seasonality. However, should interest rates remain at their current levels or move lower, we expect that increased refinance activity will mitigate this decline. We also continue to expect that margins will remain under pressure and that pricing will remain competitive as the mortgage market consolidates. In addition, pay-option loans - which have historically provided higher margins - are declining as a percentage of total production and have experienced margin erosion, and this trend may continue.

Countrywide Financial Corp., Current Report (Form 8-K) (Oct. 24, 2006).

135. On March 12, 2007, Countrywide issued a press release announcing a further decline in its operational results for February 2007 which stated in part:

> The nonprime lending industry is currently experiencing significant volatility and instability. . . . As a result, many nonprime competitors have recently exited the market and other lenders have suggested their continued viability is in question. Aggressive industry underwriting guidelines and lower home price appreciation have resulted in increasing delinquencies and defaults. Furthermore, as a result of investor concerns about nonprime loan performance, yield requirements have increased and secondary market liquidity has been reduced. These factors will adversely impact residual valuations and gains on sale of nonprime loans until market conditions improve.'
>
> 'In response to market factors, management has implemented changes to our origination policies to mitigate future exposure including further tightening of underwriting guidelines. Nonprime fundings were only 7 percent of total mortgage loan fundings in February and

> recent nonprime application volumes have declined as a result of our recent policy changes. At December 31, 2006, our nonprime residuals amounted to $402 million, which represents 0.2 percent of the Company's assets.
>
> Management views that the long term impact of the current nonprime market dynamics is positive for both the industry and Countrywide. . . . The industry should benefit from more rational underwriting and pricing as excess lending capacity is eliminated. Countrywide is well positioned to take advantage of this market disruption due to its experience, operating controls, strong liquidity profile and relatively low exposure to nonprime. Nonetheless, the Company may experience short term earnings volatility during this transition period.

Countrywide Financial Corp., Current Report (Form 8-K) (Mar 12, 2007).

136. On April 26, 2007, Countrywide announced the Company's earnings results for the first quarter. Defendant Mozilo explained that "[w]hile the Company's core operations delivered what was otherwise a strong quarter, earnings were impacted by charges relating to our subprime activities as well as increases to our loss reserves and related asset valuation adjustments stemming from higher delinquencies and softer housing markets." Countrywide Financial Corp., Current Report (Form 8-K) (Apr. 26, 2007). In addition, the announcement provided the following outlook for 2007:

> Management believes that considerable risks remain in the mortgage marketplace, including but not limited to potential further deterioration in the housing market that could impact origination volume and future credit costs; potential pending regulatory or legislative actions that could impose constraints on our operations; and other business risks as outlined in the disclaimer at the end of this press release. While the balance of 2007 is expected to be challenging,

> management continues to believe that current market conditions will result in opportunities in the form of further industry consolidation. Management also believes that the Company is well-positioned to capitalize upon these opportunities, which should strengthen Countrywide's franchise and result in accelerated future market share and earnings growth.

Id.

137. On June 12, 2007, Countrywide issued a press release touting its positive operational results for May 2007, including "a 17 percent increase in home purchase activity from the prior month." Countrywide Financial Corp., Current Report (Form 8-K) (June 12, 2007). President and Chief Operating Officer David Sambol attributed the results to "[Countrywide's] focus on integrating the activities of our Bank and mortgage company, Countrywide Bank funded $19 billion, or 44 percent, of total residential mortgage production during the month of May 2007, its highest monthly amount to date." *Id*. Moreover, the Company announced that according to *Inside Mortgage Finance*, it had retained its position as the number one mortgage originator in all channels for the first quarter of 2007. *Id*.

138. On July 16, 2007, Countrywide issued a press release announcing operational results for June 2007 which stated in part:

> 'Market conditions became increasingly challenging throughout the second quarter of 2007,' said David Sambol, President and Chief Operating Officer. 'The housing market continues to soften, and delinquencies and defaults continue to rise. Additionally, interest rates, price competition in the residential lending markets and secondary market volatility have all increased. However, Countrywide's residential funding volume in June was strong, driven primarily by seasonal purchase activity and higher application volumes in preceding months.'

Countrywide Financial Corp., Current Report (Form 8-K) (July 16, 2007).

139. Countrywide's announcements were attempts by the Company to hide the truth regarding upcoming impairment charges and drastic need for an infusion of cash. Rather than disclose that Company stock had become an imprudent investment for the Plan, Defendants continued to make optimistic statements about the Company's future and, in particular, continued to make Employer Matching Contributions in Company stock and allow Company stock to remain an investment option in the Plan.

5. Countrywide's Financial Problems Come to Light.

140. In July 2007, it became abundantly clear that Countrywide had ignored warnings regarding the risks of the subprime lending industry and that this failure was leading to the Company's financial demise.

141. On July 24, 2007, Countrywide announced that it had taken impairment charges of $417 million during the second quarter on the Company's investments in credit-sensitive retained interests. The impairment included:

> $388 million, or approximately $0.40 in earnings per diluted share based on a normalized tax rate, of impairment on residual securities collateralized by prime home equity loans. The impairment charges on these residuals were attributable to accelerated increases in delinquency levels and increases in the estimates of future defaults and loss severities on the underlying loans.

Countrywide Financial Corp., Current Report (Form 8-K) (July 24, 2007).

142. As a result of these developments, the Company updated its 2007 earnings estimate. The update cut the earnings estimate to $2.70 a share from $3.30, which was already down from its previous guidance of $3.50 to $4.30 a share. *Id.* Upon this news Countrywide's stock price fell $3.56 or 10.4 percent, closing at $30.50 per share, on unprecedented volume of 51.2 million shares, a loss of over $1.87 billion in total market capitalization.

143. On August 2, 2007, Countrywide issued a press release entitled: "Countrywide Comments on Its Strong Funding Liquidity and Financial Condition." The press release stated in part:

> 'Our mortgage company has significant short-term funding liquidity cushions and is supplemented by the ample liquidity sources of our bank. . . . In fact, we have almost $50 billion of highly-reliable short-term funding liquidity available as a cushion today. It is important to note that the Company has experienced no disruption in financing its ongoing daily operations, including placement of commercial paper.'
>
> 'Countrywide's financial condition remains strong, as evidenced by over $14 billion of net worth, significant excess capital and our strong investment grade credit ratings. . . . Two independent credit rating agencies, Moody's Investors Service and Standard & Poor's Rating Service, this week re-affirmed their ratings and stable outlook for Countrywide, its bank and its mortgage company.'

Countrywide Comments on Its Strong Funding Liquidity and Financial Condition, PR Newswire (Aug. 2, 2007).

144. On August 6, 2007, Countrywide detailed the Company's liquidity sources in an unprecedented disclosure. Upon release of these disclosures, the price of Countrywide rose 7.0 percent or $1.75, closing at $26.75, on volume of 50.5 million shares. Countrywide Financial Corp., Current Report (Form 8-K) (Aug. 6, 2007).

145. On August 9, 2007, after the close of the markets, Countrywide issued its second quarter results and disclosed the Company's significant financing needs which contradicted its statement one week earlier that the Company's financial situation remained strong and raised questions about the short-term sufficiency and reliability of the reserves presented in its August 6, 2007 Form 8-K. The Form 10-Q filed August 9, 2007 stated in part:

Item 1A. Risk Factors

Item 1A of our 2006 Annual Report presents risk factors that may impact the Company's future results. In light of recent developments in the mortgage; housing and secondary markets, those risk factors are supplemented by the following risk factor:

Debt and secondary mortgage market conditions could have a material adverse impact on our earnings and financial condition

We have significant financing needs that we meet through the capital markets, including the debt and secondary mortgage markets. These markets are currently experiencing unprecedented disruptions, which could have an adverse impact on the Company's earnings and financial condition, particularly in the short term.

Current conditions in the debt markets include reduced liquidity and increased credit risk premiums for certain market participants. These conditions, which increase the cost and reduce the availability of debt, may continue or worsen in the future. The Company attempts to mitigate the impact of debt market disruptions by obtaining adequate committed and uncommitted facilities from a variety of reliable sources. There can be no assurance however, that the Company will be successful in these efforts, that such facilities will be adequate or that the cost of debt will allow us to operate at profitable levels. The Company's cost of debt is also dependent on its maintaining investment-grade credit ratings. Since the Company is highly dependent on the availability of credit to finance its operations, disruptions in the debt markets or a reduction in our credit ratings,

> could have an adverse impact on our earnings and financial condition, particularly in the short term.
>
> The secondary mortgage markets are also currently experiencing unprecedented disruptions resulting from reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield-requirements for those loans and securities. These conditions may continue or worsen in the future. In light of current conditions, we expect to retain a larger portion of mortgage loans and mortgage-backed securities than we would in other environments. While our capital and liquidity positions are currently strong and we believe we have sufficient capacity to hold additional mortgage loans and mortgage backed securities until investor demand improves and yield requirements moderate, our capacity to retain mortgage loans and mortgage backed securities is not unlimited. As a result, a prolonged period of secondary market illiquidity may reduce our loan production volumes and could have an adverse impact on our future earnings and financial condition.

Countrywide Financial Corp. Quarterly Report (Form 10-Q) (Aug. 9, 2007) (emphasis added).

146. On August 15, 2007, Countrywide shares sank 13 percent, their biggest one-day decline since the 1987 stock market crash, on fears that the largest U.S. mortgage lender could face bankruptcy, spurred by a downgrade of Countrywide stock from a "Buy" recommendation to "Sell" by Merrill Lynch analyst Kenneth Bruce. Bruce stated that "[i]f enough financial pressure is placed on Countrywide or if the market loses confidence in its ability to function properly, then the model can break, leading to an effective insolvency. . . . If liquidations occur in a weak market, then it is possible for Countrywide to go bankrupt.'" Jonathan Stempel, *Countrywide Plunges on Bankruptcy*

Fear, Reuters, Aug. 15, 2007.

147. The following day, August 16, 2007, Countrywide announced that it had drawn down its $11.5 billion credit facility to supplement its funding liquidity position. According to David Sambol, President and Chief Operating Officer: "Along with reduced liquidity in the secondary market, funding liquidity for the mortgage industry has also become constrained." Countrywide Financial Corp. Current Report (Form 8-K) (Aug. 16, 2007).

148. Analysts characterized Countrywide's chosen course as a move made in desperation: "Countrywide said it would tap its $11.5 billion bank line of credit to provide liquidity. And tap is the right word, because usually a bank line like this is your liquidity source of last resort, which you use only when you're tapped out." Randall W. Forsyth, *On Borrowed Time*, Barron's Online, Aug. 20, 2007.

149. Upon news of the downgrade and the announcement that the Company had drawn down its ***entire*** credit facility, Countrywide shares tumbled and closed at $18.95 per share, a decline of 42 percent from the start of the Class Period.

150. As of August 17, 2007, Countrywide began laying off employees involved in loan origination – only two weeks after it reported hiring loan officers from rivals forced to close shop. James R. Hagerty, *Countrywide Begins Staff Layoffs*, Wall St. J., Aug. 20, 2007, at A6.

151. On August 22, 2007, Countrywide issued a press release in which the Company announced that it had received a much needed infusion of cash in the form of a $2 billion equity investment from Bank of America. The investment is in the form of a non-voting convertible preferred security yielding 7.25 percent annually. Under the terms of the agreement, the security can be converted into common stock at $18 per share, with resulting shares subject to restrictions on trading for 18 months after conversion. Defendant Mozilo, in the Company's press release, stated in part:

> Bank of America's investment in Countrywide represents a vote of confidence and strengthens our balance sheet, enabling us to position Countrywide for future growth and success. This transaction benefits all of Countrywide's constituents, including investors, shareholders, mortgage customers, deposit holders, business partners and employees.

Countrywide Financial Corp. Press Release, *Countrywide Receives $2 Billion Strategic Equity Investment From Bank of America*, attached as Exhibit 99.1 to Countrywide Financial Corp, Current Report (Form 8-K) (Aug. 23, 2007). However, analysts characterized the agreement as highly ***unfavorable*** to Countrywide:

> As it turned out, Bank of America's generous gesture was not entirely altruistic. In return for the $2 billion, it got a preferred that paid 7.25%, a much heftier yield than the 2.5% to 3.5% converts issued by Countrywide a scant three months earlier. Moreover, the preferred sold to Bank of America is convertible at a surprisingly 20% below then market price of Countrywide common.

Alan Abelson, *Up and Down Wall Street*, Barron's Online, Aug. 27, 2007.

152. The investment by Bank of America was supposed to strengthen Countrywide's financials, but was met with skepticism in the market. "Two billion dollars from Bank of America is not a lot compared to what they may need," said Stuart Plesser, an equity analyst at Standard & Poor's in New York. James R. Hagerty and Karen Richardson, *Why is Countrywide Sliding? It's Unclear, That's the Issue*, Wall St. J., Aug. 29, 2007.

153. On September 7, 2007, Countrywide announced that it would cut up to 12,000 additional jobs, amounting to as much as one-fifth of the Company's workforce. *Countrywide Announces Plan to Address Changing Market Conditions Including Workforce Reductions*, attached as Exhibit 99.1 to Countrywide Financial Corp, Current Report (Form 8-K) (Sept. 7, 2007). Countrywide also announced plans to revise its

product offerings to include only high quality prime loans or loans that can be sold in the secondary market. *Id*.

154. On September 11, 2007, it was announced that Countrywide had hired Goldman Sachs Group, Inc. to help it find additional financing for the second time in less than a month. Steve Dickson, *Countrywide Shares Fall on Report Lender Needs Cash*, Bloomberg News, Sept. 11, 2007. As a result of this news, Company stock fell 5 percent to $16.18, its lowest closing price in four years.

155. On September 13, 2007, the Company announced that it had secured an additional $12 billion in secured borrowing through new or existing credit lines. Lingling Wei, *Countrywide Loan Fundings Fall; Lender Lines Up $12 Billion Credit*, Wall St. J., Sept. 13, 2007.

156. In November, it was reported that Countywide had been receiving a substantial infusion of cash from the Federal Home Loan Bank in Atlanta since mid-August. James R. Hagerty, *Where Countrywide Chief is Finding a Life Preserver*, Wall St. J., Nov. 26, 2007 at C1. As of September 30, 2007, Countrywide had borrowed $51.1 billion from the Atlanta bank – an increase of 77 percent from the $28.8 billion it owed just three months earlier. *Id*.

157. On November 9, 2007, Countrywide issued its third quarter results -- a loss of $1.2 billion for the quarter, which included a $1 billion charge to cover the write-down or losses on sales of loans and related securities. Countrywide Financial Corp. Quarterly Report (Form 10-Q) (Nov. 9, 2007). Revenue for the quarter plunged to negative $50 million from $2.8 million a year earlier. *Id*. at 2. The Company took a $718 million loss on the sale of loans and boosted its loan loss provision to $934 million from $38 million a year earlier. *Id*. Of particular note, some 3.27 percent of Countrywide's conventional mortgage loans were delinquent as of September 30, up from 2.5 percent in the same period in 2006. *Id*. at 107. Likewise, 23.94 percent of subprime loans were delinquent, as compared to 20.15 percent as of June 30, 2007 and 16.93 percent as of September 30, 2006. *Id*.

158. On November 9, 2007, further demonstrating Countrywide's dire financial circumstances and potential collapse, Countrywide also warned that if its credit rating dropped below its current lowest grade, the company's access to the corporate debt market would be severely limited. The Form 10-Q filed November 9, 2007 stated in part:

> The illiquidity in the secondary market for non-conforming loan originations that comprised 48% our loan production during the first six months of 2007 removed the expected outlet for these loans in the Mortgage Banking segment of our mortgage banking operations' loans. This caused illiquidity in the commercial paper and repurchase agreement markets that made short-term debt that we normally relied upon to finance substantial portions of our mortgage loan inventory unavailable or prohibitively expensive. The sudden development and convergence of these factors during the third quarter challenged our ability to finance our loan origination operations without incurring significant daily refinancing risk. In response to market conditions and constrained liquidity, Countrywide's debt ratings were downgraded by the major credit agencies.
>
> In response, we modified our funding structure by reducing our reliance on the public debt and non-agency secondary mortgage markets. Specifically we took the following actions:
>
> - we accelerated the integration of our mortgage banking activities into our bank subsidiary which has more stable funding and more access to highly reliable sources of funds which are less dependent on the capital markets during periods of market stress;
> - we significantly changed our underwriting standards, focusing the bulk of our current loan production on loans that are available for direct sale to or securitization into programs

sponsored by the government-sponsored agencies (Fannie Mae, Freddie Mac and Ginnie Mae);

- we procured other sources of financing, including:
  - drawing the full $11.5 billion amount of our committed revolving credit facilities established to provide liquidity in the event of a disruption in the commercial paper market;
  - making a private issuance of $2.0 billion of 7.25% convertible cumulative preferred stock;
  - negotiating $7.5 billion of committed repurchase facilities, which included renewals of $2.5 billion of existing uncommitted repurchase facilities;
  - negotiating an increase of $5.5 billion of an uncommitted but highly reliable repurchase facilities with a government-sponsored enterprise; and
  - implementing an aggressive campaign to attract and retain bank deposits, including significant expansion of our network of financial centers.

As previously discussed, the public debt markets are no longer a practical source of short-term inventory financing owing to the current illiquidity in that market, our current short-term credit ratings and our recent operational liquidity challenges. While we have procured other, more stable sources of funding, future access to the public corporate debt markets remains an important potential source of financing to us when market conditions permit.

To retain access to the public debt markets it is critical for us to maintain investment-grade credit ratings. Among other things,

maintenance of our current investment-grade ratings requires that we have high levels of liquidity, including access to alternative sources of funding such as deposits and committed lines of credit provided by highly rated banks. We must also maintain adequate capital that exceeds current rating agency requirements. While we retain our investment grade ratings, all three rating agencies have placed our ratings on some form of negative outlook.

In the event our credit ratings were to drop below "investment grade," our access to the public corporate debt markets could be severely limited. The cutoff for investment grade is generally considered a long-term rating of "BBB–" (or Baa3 Moody's Investors Service), which is equal to our lowest current rating. Furthermore, we expect that renegotiation or replacement of our existing financing arrangements beyond their current maturity dates will involve more restrictive terms and higher relative rates than those presently in place. Our ability to place custodial deposit accounts on deposit with our bank subsidiary could be affected if our credit ratings were reduced below investment grade. As of September 30, 2007, up to $5.5 billion of our custodial deposits may be subject to placement with another bank if our credit ratings were reduced below investment grade. We also expect that a reduction in our ratings below investment grade would have a negative effect on our ability to retain our commercial deposits. In addition, our broker-dealer may experience difficulty in conducting its trading operations if its parent is unable to maintain its investment grade credit ratings. We have responded to these risks by procuring additional sources of liquidity as shown in the summary of highly reliable liquidity sources on the following page, including

> $9.2 billion of cash and cash equivalents in the Bank as of September 30, 2007.

Id. at 107-109 (emphasis added).

159. On November 20, 2007 Countrywide released a statement denying reports that it was on the verge of bankruptcy. Countrywide Financial Corp. Press Release, Countrywide Comments on Financial Condition, Nov. 20, 2007, *available at http://about.countrywide.com/PressRelease/PressRelease.aspx?rid=1080254&ir=yes*.

160. On November 21, 2007, Countrywide stock closed below $10 per share -- at $9.42 per share -- for the first time since July 2002, a decline of almost 73 percent from the start of the Class Period.

161. On November 28, 2007, Countrywide's situation's worsened still: it was reported that the United States Trustee ("U.S. Trustee"), the federal agency monitoring the bankruptcy court, had subpoenaed Countrywide in late October to determine whether the Company had filed false and inaccurate foreclosure actions -- conduct constituting abuse of the bankruptcy system. Gretchen Morgenson, *Foreclosures By Lender Investigated*, N.Y. Times, Nov. 28, 2007.

162. The subpoenas were issued in connection with two foreclosures in Southern Florida in which borrowers filed for protection under Chapter 13 of the bankruptcy code and objected to the claim amounts Countrywide subsequently filed. The U.S. Trustee began investigating when Countrywide failed to appear at both hearings on borrowers' objections and sought to examine the procedures by which Countrywide determined that it had a valid claim to properties the subject of foreclosure and that it had correctly calculated the amount borrowers owed. *Id*.

163. On December 3, 2007, Defendant Mozilo again denied that the Company was considering bankruptcy. Reuters, Dec. 3, 2007, *available at* http://www.reuters.com/article/idUKWEN278720071203. Notwithstanding these assurances, as of December 3, 2007, Company stock closed at $10.68, almost 50 percent off the September 30, 2007

close price.

164. Another shoe dropped on December 13, 2007, when the Illinois Attorney General announced an investigation of Countrywide's predatory and potentially fraudulent loan origination practices in conjunction with One Source Mortgage, a mortgage broker sued by the Illinois Attorney General for engaging in predatory lending practices. Gretchen Morgenson, *Countrywide Subpoenaed by Illinois*, N.Y. Times, Dec. 13, 2007. Of the 69 cases examined in the suit, 26 of the first mortgages and 4 of the second mortgages were made by Countrywide. *Id*. At issue is Countrywide's potentially unlawful conduct involving oversight of independent brokers and its own mortgage brokers, including how Countrywide reviewed loan applications, made approvals and eventually packaged and sold the mortgages as securities to investors. *Id*.

165. On December 14, 2007, the California Attorney General announced that Countrywide was under investigation with regard to its mortgage lending practices and had been served with a subpoena for documents. E. Scott Reckard & Marc Lifsher, *Two States Probe Countrywide's Home Loans*, Los Angeles Times, Dec. 14, 2007.

C. Defendants Knew or Should Have Known That Countrywide Stock Was an Imprudent Investment.

166. During the Class Period, as described herein, Defendants knew or, had they properly discharged their fiduciary obligations, would have known that Countrywide stock was imprudent investment alternatives for the Plan due to Countrywide's serious mismanagement, improper business practices and potentially unlawful conduct, including, among other practices: (a) marketing and extending subprime mortgage loans, made on a "low documentation" basis, without adequate consideration of the borrower's ability to repay and with unreasonably high risk of borrower default; (b) intentionally marketing subprime loans with high risk of default to borrowers who qualified for prime-rate loans in order to increase Company profits; (c) encouraging brokers to market excessively high-cost loans with greater risk of default to borrowers by offering incentive commissions; (d) representing that Countrywide had strict and selective underwriting and

loan origination practices; (e) representing that Countrywide had sufficient reserves set aside to cover the high-risk loans it was selling; (f) operating with inadequate liquidity in relation to the volatility of Countrywide's business lines and assets; and (g) operating without the requisite internal controls to determine appropriate loan loss provisions.

167. As a result, Countrywide's stock price and the price of the Fund were artificially inflated making them an imprudent investment for the Plan.

168. As a result of Defendants' knowledge of the public misconceptions concerning the true financial health of the Company, any generalized warnings of market and diversification risks that Defendants made to the Plan's participants regarding the Plan's investment in Countrywide stock did not effectively inform the Plan's participants of the past, immediate, and future dangers of investing in Company stock.

169. Defendants also failed to take into account the changing risk profile of the Countrywide stock investment as a result of the above circumstances and the Company's deteriorating financial circumstances as demonstrated by objective indicators for evaluating a company's ongoing viability.

170. The Defendants failed to conduct an appropriate investigation into whether Countrywide stock was a prudent investment for the Plan and, in connection therewith, failed to provide the Plan's participants with information regarding Countrywide's tremendous problems so that participants could make informed decisions regarding their investments in Countrywide stock in the Plan.

171. An adequate or even cursory investigation by Defendants would have revealed to a reasonable fiduciary that, under these circumstances, investment by the Plan in Countrywide stock was excessively and unduly risky, and, thus, imprudent. A prudent fiduciary acting under similar circumstances would have acted to protect participants against unnecessary losses and would have made different investment decisions.

172. Because Defendants knew or should have known that Countrywide was not a prudent investment option for the Plan, they had a fiduciary duty to protect the Plan and its participants from unreasonable and entirely predictable losses incurred as a result of the Plan's

investment in Countrywide stock.

173. Defendants had available to them several different options for satisfying this duty, including: making appropriate public disclosures, as necessary; divesting the Plan of Countrywide stock; discontinuing further contributions to and/or investment in Countrywide stock under the Plan; consulting independent fiduciaries regarding appropriate measures to take in order to prudently and loyally serve the participants of the Plan; and/or resigning as fiduciaries of the Plan to the extent that as a result of their employment by Countrywide they could not loyally serve the Plan and its participants in connection with the Plan's acquisition and holding of Countrywide stock.

174. Despite the availability of these and other options, Defendants failed to take any action to protect participants from losses resulting from the Plan's investment in Countrywide stock. In fact, Defendants continued to invest and to allow investment of the Plan's assets in Company stock even as Countrywide's problems came to light.

175. In addition, the Defendants failed to adequately review the performance of the other fiduciaries of the Plan to ensure that they were fulfilling their fiduciary duties under the Plan and ERISA.

176. When it came to their own personal holdings of Countrywide stock, however, the Insider Selling Defendants sold millions of dollars of the stock, effectively cashing in while hanging Plan participants out to dry. Such conduct violated the duties of prudence and loyalty under ERISA, and demonstrated a clear conflict of interest by the Plan fiduciaries who engaged in such conduct.

D. Defendants Failed to Provide Plan Participants with Complete and Accurate Information about the True Risks of Investment in Countrywide Stock in the Plan.

177. ERISA mandates that plan fiduciaries have a duty of loyalty to the plan and its participants which includes the duty to speak truthfully to the plan and its participants when communicating with them. A fiduciary's duty of loyalty to plan participants under ERISA includes an obligation not to materially mislead, or knowingly allow others to materially mislead, plan participants and beneficiaries.

178. During the Class Period, upon information and belief, Defendants made direct and indirect communications with participants in the Plan which included statements regarding investments in Company stock. These communications included, but were not limited to, SEC filings, annual reports, press releases, and Plan documents, in which Defendants failed to disclose that Company stock was not a prudent retirement investment, and which were incorporated by reference in Plan documents. The Company regularly communicated with employees, including participants in the Plan, about the performance, future financial and business prospects of the Company's common stock, which was, far and away, the single largest asset of the Plan. 2006 Form 11-K at 10.

179. Defendants, as the Plan's fiduciaries, knew or should have known certain basic facts about the characteristics and behavior of the Plan's participants, well-recognized in the 401(k) literature and the trade press, concerning investment in company stock, including that:

(a). Employees tend to interpret a match in company stock as an endorsement of the company and its stock;

(b). Out of loyalty, employees tend to invest in company stock;

(c). Employees tend to over-extrapolate from recent returns, expecting high returns to continue or increase going forward;

(d). Employees tend not to change their investment option allocations in the plan once made;

(e). No qualified retirement professional would advise rank and file employees to invest more than a modest amount of retirement savings in company stock, and many retirement professionals would advise employees to avoid investment in company stock entirely;

(f). Lower income employees tend to invest more heavily in company stock than more affluent workers, though they are at greater risk; and

(g). Even for risk-tolerant investors, the risks inherent to company stock are not commensurate with it rewards.

180. Even though Defendants knew or should have known these facts, and even though Defendants knew of the high concentration of the Plan's funds in Company stock during the Class Period, Defendants failed to take any meaningful ameliorative action to protect the Plan and its participants from their heavy investment in an imprudent retirement vehicle, Countrywide stock.

181. In addition, Defendants failed to provide participants, and the market as a whole, with complete and accurate information regarding the true financial condition of the Company. As such, participants in the Plan could not appreciate the true risks presented by investments in Company stock and therefore could not make informed decisions regarding their investments in Company stock in the Plan.

182. Specifically, Defendants failed to provide the Plan's participants with complete and accurate information regarding Countrywide's serious mismanagement, improper business practices and potentially unlawful conduct, including, among other practices: (a) marketing and extending subprime mortgage loans, made on a "low documentation" basis, without adequate consideration of the borrower's ability to repay and with unreasonably high risk of borrower default; (b) intentionally marketing subprime loans with high risk of default to borrowers who qualified for prime-rate loans in order to increase Company profits; (c) encouraging brokers to market excessively high-cost loans with greater risk of default to borrowers by offering incentive commissions; (d) representing that Countrywide had strict and selective underwriting and loan origination practices; (e) representing that Countrywide had sufficient reserves set aside to cover the high-risk loans it was selling; (f) operating with inadequate liquidity in relation to the volatility of Countrywide's business lines and assets; and (g) operating without the requisite internal controls to determine appropriate loan loss provisions; (i) insider self-dealing through improper insider sales of Countrywide stock.

183. As such, the participants were not informed of the true risks of investing their retirement assets in the Plan in Countrywide stock.

E. Defendants Suffered From Conflicts of Interest.

184. As ERISA fiduciaries, Defendants are required to manage the Plan's investments, including the investment in Countrywide stock, solely in the interest of the participants and beneficiaries, and for the exclusive purpose of providing benefits to participants and their beneficiaries. This duty of loyalty requires fiduciaries to avoid conflicts of interest and to resolve them promptly when they occur.

185. Conflicts of interest abound when a company that invests plan assets in company stock founders. This is because as the situation deteriorates, plan fiduciaries are torn between their duties as officers and directors for the company on the one hand, and to the plan and plan participants on the other. As courts have made clear "'[w]hen a fiduciary has dual loyalties, the prudent person standard requires that he make a careful and impartial investigation of all investment decisions.'" *Martin v. Feilen,* 965 F.2d 660, 670 (8th Cir.1992) (citation omitted). Here, Defendants breached this fundamental fiduciary duty.

186. First, Defendants failed to investigate whether to take appropriate and necessary action to protect the Plan, and instead, chose the interests of the Company over the Plan by continuing to offer Countrywide stock as a Plan investment option, and maintain investment in Countrywide stock in the Plan.

187. Second, certain of the Defendants who knew or should have known of Countrywide's inflated stock price during much of the Class Period, benefited directly from this knowledge or neglect by selling their personal holdings of Countrywide stock for significant gain. During the Class Period, the Insider Selling Defendants sold approximately 8,624,614 shares of Countrywide stock for proceeds of over $313 million. The following is a summary of the insider sales by these Plan fiduciaries since January 2006:

Name	Sales	Shares Sold	Proceeds of Sales
Mozilo	121	7,151,051	$256,273,933
Cisneros	3	79,407	$3,052,506

Cunningham	12	75,000	$3,004,450
Donato	2	54,142	$2,142,052
Dougherty	12	227,905	$9,182,698
Gates	4	75,000	$2,978,475
Heller	3	106,540	$4,014,688
Kripalani	4	68,020	$2,709,000
Kurland	34	413,049	$15,211,426
Robertson	3	152,000	$5,966,400
Snyder	6	170,000	$6,462,738
Speakes	1	52,500	$2,342,000
TOTALS:	**205**	**8,624,614**	**$313,340,366**

188. In particular, Defendant Mozilo engaged in significant selling during the Class Period. Upon review of the Form 4s filed in the last year alone, Defendant Mozilo made a profit of $135 million from the sale of Company stock, approximately one-third of the amount he has reaped over the past 23 years. Defendant Mozilo continues to hold approximately 500,000 shares in Countrywide stock. Form 4 (Oct. 12, 2007).

189. On October 11, 2007, North Carolina State Treasurer, Richard Moore requested that the SEC investigate the timing of stock sales made by Defendant Mozilo. David Scheer, *Countrywide's Mozilo is Under SEC Investigation, Person Says*, Bloomberg.com, Oct. 17, 2007.

190. On October 17, 2007, the SEC announced that it had opened an informal inquiry into Defendant Mozilo's sale of Company stock. *Id*.

191. Upon information and belief, Defendant Mozilo's Rule 10b5-1 trading plans, the prearranged selling programs filed with the SEC since 2005, are the subject of the SEC's inquiry. *See* Gretchen Morgenson, *Countrywide Chief Is Said to Face SEC Inquiry*, N.Y. Times, Oct. 18, 2007.

192. Upon information and belief, throughout the Class Period, Defendant Mozilo sold shares of Company stock according to his Rule 10b5-1 plans; however, as of October 2006, the pace of Defendant Mozilo's sales increased significantly. *Id*. Defendant Mozilo filed a 10b5-1in October 2006 which provided for the sale of 350,000

shares of Company stock each month. *Id*. In December 2006, Defendant Mozilo implemented an additional plan, which provided that an additional 115,000 shares of be sold, resulting in a total of 465,000 shares sold on a monthly basis. *Id*. In February 2007, when shares hit a high of $45.03, Defendant Mozilo increased the number of shares sold under the December 2006 10b5-1 plan to 345,000 or 580,000 total shares sold per month. *Id*.

193. The Insider Selling Defendants breached their fiduciary duties to the Plan and its participants, as, rather than ensure that the Plan discontinued investment in Company stock or informing Plan participants regarding the material negative information concerning the Company's above-outlined problems, they chose to remain quiet and reap the benefit of their insider knowledge by selling their personal holdings of Countrywide for enormous gains.

194. While the above Defendants protected and enriched themselves, they stood idly by as the Plan lost well over one hundred million dollars because of its investment in Countrywide stock. This is precisely the type of conflicted and disloyal action that ERISA was intended to prevent.

VIII. THE RELEVANT LAW

195. ERISA § 502(a)(2), 29 U.S.C. § 1132(a)(2), provides, in pertinent part, that a civil action may be brought by a participant for relief under ERISA § 409, 29 U.S.C. § 1109.

196. ERISA § 409(a), 29 U.S.C. § 1109(a), "Liability for Breach of Fiduciary Duty," provides, in pertinent part, that:

> any person who is a fiduciary with respect to a plan who breaches any of the responsibilities, obligations, or duties imposed upon fiduciaries by this subchapter shall be personally liable to make good to such plan any losses to the plan resulting from each such breach, and to restore to such plan any profits of such fiduciary which have been made through use of assets of the plan by the fiduciary, and shall be subject

to such other equitable or remedial relief as the court may deem appropriate, including removal of such fiduciary.

197. ERISA § 502(a)(3), 29 U.S.C. § 1132(a)(3), authorizes individual participants to seek equitable relief from defendants, including, without limitation, injunctive relief and, as available under applicable law, constructive trust, restitution, and other monetary relief.

198. ERISA §§ 404(a)(1)(A) and (B), 29 U.S.C. §§ 1104(a)(1)(A) and (B), provides, in pertinent part, that a fiduciary shall discharge his duties with respect to a plan solely in the interest of the participants and beneficiaries, for the exclusive purpose of providing benefits to participants and their beneficiaries, and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

199. These fiduciary duties under ERISA §§ 404(a)(1)(A) and (B) are referred to as the duties of loyalty, exclusive purpose and prudence and are the "highest known to the law." *Howard v. Shay*, 100 F.3d 1484, 1489 (9th Cir. 1996). They entail, among other things:

(a) The duty to conduct an independent and thorough investigation into, and to continually monitor, the merits of all the investment alternatives of a plan, including in this instance Countrywide stock, to ensure that each investment is a suitable option for the plan;

(b). The duty to avoid conflicts of interest and to resolve them promptly when they occur. A fiduciary must always administer a plan with an "eye single" to the interests of the participants and beneficiaries, regardless of the interests of the fiduciaries themselves or the plan sponsor;

(c). The duty to follow the terms of the plan document only "insofar as such documents and instruments are consistent with the provisions of [title I]

and title IV" of ERISA. 29 U.S.C. § 1104(a)(1)(D). Therefore, if a plan's terms are inconsistent with ERISA, a prudent fiduciary acting in the best interests of the plan's participants must effectively override the plan's terms. The Department of Labor's regulations interpreting ERISA also demonstrate that the fiduciary's duty of prudence trumps even his obligations to comply with plan terms, including statements of investment policy or plan design; and

(d). The duty to disclose and inform, which encompasses: (1) a negative duty not to misinform; (2) an affirmative duty to inform when the fiduciary knows or should know that silence might be harmful; and (3) a duty to convey complete and accurate information material to the circumstances of participants and beneficiaries.

200. ERISA § 405(a), 29 U.S.C. § 1105(a), "Liability for Breach by Co-Fiduciary," provides, in pertinent part, that:

> In addition to any liability which he may have under any other provision of this part, a fiduciary with respect to a plan shall be liable for a breach of fiduciary responsibility of another fiduciary with respect to the same plan in the following circumstances:
>
> (1) if he participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach;
>
> (2) if, by his failure to comply with section 404(a)(1), 29 U.S.C. § 1104(a)(1), in the administration of his specific responsibilities which give rise to his status as a fiduciary, he has enabled such other fiduciary to commit a breach; or

> (3) if he has knowledge of a breach by such other fiduciary, unless he makes reasonable efforts under the circumstances to remedy the breach.

201. Co-fiduciary liability is an important part of ERISA's regulation of fiduciary responsibility. Because ERISA permits the fractionalization of the fiduciary duty, there may be, as in this case, several ERISA fiduciaries involved in a given issue, such as the role of company stock in a plan. In the absence of co-fiduciary liability, fiduciaries would be incentivized to limit their responsibilities as much as possible and to ignore the conduct of other fiduciaries. The result would be a setting in which a major fiduciary breach could occur, but the responsible party could not easily be identified. Co-fiduciary liability obviates this. Even if a fiduciary merely knows of a breach, a breach he had no connection with, he must take steps to remedy it:

> [I]f a fiduciary knows that another fiduciary of the plan has committed a breach, and the first fiduciary knows that this is a breach, the first fiduciary must take reasonable steps under the circumstances to remedy the breach. . . . [T]he most appropriate steps in the circumstances may be to notify the plan sponsor of the breach, or to proceed to an appropriate Federal court for instructions, or bring the matter to the attention of the Secretary of Labor. The proper remedy is to be determined by the facts and circumstances of the particular case, and it may be affected by the relationship of the fiduciary to the plan and to the co- fiduciary, the duties and responsibilities of the fiduciary in question, and the nature of the breach.

1974 U.S.C.C.A.N. 5038, 1974 WL 11542, at 5080.

202. Plaintiff therefore brings this action under the authority of ERISA § 502(a)(2) for relief under ERISA § 409(a) to recover losses sustained by the Plan arising out of the breaches of fiduciary duties by the Defendants for violations under ERISA § 404(a)(1) and ERISA § 405(a).

IX. ERISA § 404(c) DEFENSE INAPPLICABLE

203. ERISA § 404(c) is an affirmative defense that provides a limited exception to fiduciary liability for losses that result from participants' exercise of control over investment decisions. In order for § 404(c) to apply, participants must in fact exercise "independent control" over investment decisions, and the fiduciaries must otherwise satisfy the numerous procedural and substantive requirements of ERISA § 404(c), 29 U.S.C. § 1104(c), and the regulations promulgated under it.

204. ERISA § 404(c) does not apply here for, among others, the following three reasons.

205. First, ERISA § 404(c) does not and cannot provide any defense to the fiduciaries' imprudent decision to select and continue offering Countrywide stock as an investment option in the Plan, or to continue matching in Countrywide stock, as these are not decisions that were made or controlled by the participants. *See* Final Reg. Regarding Participant Directed Individual Account Plans (ERISA Section 404(c) Plans) ("Final 404(c) Reg."), 57 Fed. Reg. 46906-01, 1992 WL 277875, at *46924 n.27 (Oct. 13, 1992) (codified at 29 C.F.R. § 2550) (noting that "the act of limiting or designating investment options which are intended to constitute all or part of the investment universe of an ERISA § 404(c) plan is a fiduciary function which, whether achieved through fiduciary designation or express plan language, is not a direct or necessary result of any participant direction of such plan").

206. Second, as to participant directed investment in Countrywide stock, ERISA § 404(c) does not apply because Defendants failed to ensure effective participant control by providing complete and accurate material information to participants regarding Countrywide stock. *See* 29 C.F.R. § 2550.404c-1(b)(2)(i)(B) (the participant must be provided with "sufficient information to make informed decisions"). As a consequence, participants in the Plan did not have informed control over the portion of the Plan's assets that were invested in Countrywide stock as a result of their investment directions, and the Defendants remain entirely responsible for losses that result from such investment.

207. Third, upon information and belief, the Plan participants were not informed that the Plan intended to comply as a § 404(c) plan in the manner required by ERISA and applicable regulations. Therefore, §404(c) of ERISA does not apply to participants' "investment decisions" regarding Countrywide stock, and Defendants remain liable for losses suffered by participants during the Class Period as a result of such decisions.

208. Because ERISA § 404(c) does not apply here, the Defendants' liability to the Plan, the Plaintiff and the Class (as defined below) for losses caused by the Plan's investment in Countrywide stock is established upon proof that such investments were or became imprudent and resulted in losses in the value of the assets in the Plan during the Class Period.

X. DEFENDANTS' INVESTMENT IN COUNTRYWIDE STOCK IS NOT ENTITLED TO A PRESUMPTION OF PRUDENCE

209. The presumption of prudence that some courts have held applies to the decision to make and maintain investment in company stock in an ESOP does not apply here because the Plan was not, in fact, designed to require the offering of Company stock as a Plan investment option. Rather, Company stock is a discretionary feature of the Plan. Accordingly, the Plan lacks the principle feature on which the presumption of prudence is based – namely a need to balance two competing objectives of typical ESOPs – retirement savings on the one hand, and the goal of long term employee ownership on the other. Here, the Plan's only long-term purpose is retirement savings.

210. To the extent that a presumption of reasonableness applies to the decision to maintain investments in company stock in the purported ESOP portion of the Plan, such presumption is overcome by the facts alleged here, including, among other averments:

- The Company's potentially unlawful business practices during the Class Period and resulting multiple government investigations of same which threaten the viability of the Company;

- Serious and gross mismanagement evidenced by, among other things:
  - marketing and extending subprime mortgage loans, made on a "low documentation" basis, without adequate consideration of the borrower's ability to repay and with unreasonably high risk of borrower default;
  - intentionally marketing subprime loans with high risk of default to borrowers who qualified for prime-rate loans in order to increase Company profits;
  - encouraging brokers to market excessively high-cost loans with greater risk of default to borrowers by offering incentive commissions;
  - representing that Countrywide had strict and selective underwriting and loan origination practices;
  - representing that Countrywide had sufficient reserves set aside to cover the high-risk loans it was selling;
  - operating with inadequate liquidity in relation to the volatility of Countrywide's business lines and assets; and
  - operating without the requisite internal controls to determine appropriate loan loss provisions
  - the artificial inflation of Countrywide stock as a result of the above improper business practices.
- Countrywide's deteriorating financial condition and potentially unlawful business practices -- calling into question the Company's ongoing viability as a result of the Company's inadequate reserves and risky and inappropriate lending practices, and dire circumstances caused thereby;
- Insider self-dealing by Defendants identified above; and
- A precipitous stock price decline from over $32.13 to $9.01 during the Class Period.

211. The imprudence of continued investment by Defendants in Countrywide stock during the Class Period runs afoul of Department of Labor regulations:

> [B]ecause every investment necessarily causes a plan to forgo other investment opportunities, an investment will not be prudent if it would be expected to provide a plan with a lower rate of return than available alternative investments with commensurate degrees of risk or is riskier than alternative available investments with commensurate rates of return.

29 C.F.R. § 2509.94-1. Defendants had available to them investment alternatives to Countrywide stock that had either a higher rate of return with risk commensurate to Countrywide stock or an expected rate of return commensurate to Countrywide stock but with less risk.

212. Based on these circumstances, and the others alleged herein, it was imprudent and an abuse of discretion for Defendants to continue to make and maintain investment in Countrywide stock, and, effectively, to do nothing at all to protect the Plan from large losses as a result of such investment during the Class Period.

XI. CAUSES OF ACTION

A. Count I: Failure to Prudently and Loyally Manage the Plan and Assets of the Plan.

213. Plaintiff incorporates by this reference the paragraphs above.

214. This Count alleges fiduciary breach against: the Company, the Director Defendants and the Administrative Committee Defendants during such time as each served as the Plan Administrator, respectively, and the Investment Committee Defendants.

215. The Defendants named in this Count were named fiduciaries pursuant to ERISA § 402(a)(1), 29 U.S.C. § 1102(a)(1), or *de facto* fiduciaries within the meaning of § 3(21)(A), 29 U.S.C. § 1002(21)(A), or both. Thus, they were bound by the duties of loyalty, exclusive purpose, and prudence.

216. As alleged above, the scope of the fiduciary duties and responsibilities of the Defendants included managing the assets of the Plan for the sole and exclusive benefit of

the Plan's participants and beneficiaries, and with the care, skill, diligence, and prudence required by ERISA. The Defendants were directly responsible for, among other things, selecting prudent investment options, eliminating imprudent options, determining how to invest employer contributions to the Plan and directing the Trustee regarding the same, evaluating the merits of the Plan's investments on an ongoing basis, and taking all necessary steps to ensure that the Plan's assets were invested prudently.

217. Yet, contrary to their duties and obligations under the Plan documents and ERISA, the Defendants failed to loyally and prudently manage the assets of the Plan. Specifically, during the Class Period, these Defendants knew or should have known that Countrywide stock no longer was a suitable and appropriate investment for the Plan, but was, instead, a highly speculative and excessively risky investment in light of the Company's potentially unlawful conduct, fundamental weaknesses, deteriorating financial circumstances, and challenges to its ongoing viability. Nonetheless, during the Class Period, these Defendants continued to offer Countrywide stock as an investment option for participant contributions in the Plan, as well as the sole investment receptacle for Employer Matching Contributions in the Plan during the Class Period, even though the Defendants named in this Count had: (1) the discretion to suspend offering Company stock as a Plan investment option; (2) the discretion to suspend making matching contributions and discretionary contributions in Company stock, and instead, invest such amount in cash, and (3) the discretion to adopt rules permitting participants to elect to invest all or a portion of the Company Stock held in their accounts in another Fund. *See* Section V. , *supra*.

218. Defendants could have and should have taken action to protect Plan participants from unnecessary losses by utilizing their discretion under the Plan Document and ERISA to suspend offering Company stock as a Plan investment option during the Class Period and matching in the stock. Instead, the Defendants continued to offer Countrywide stock in the Plan despite the fact that they clearly knew or should have known that such investment was unduly risky and imprudent due to the Company's

serious mismanagement, improper business practices and potentially unlawful conduct, described herein.

219. The Defendants were obliged to prudently and loyally manage all of the Plan's assets. However, their duties of prudence and loyalty were especially significant with respect to Company stock because: (a) company stock is a particularly risky and volatile investment, even in the absence of company misconduct; and (b) participants tend to underestimate the likely risk and overestimate the likely return of investment in company stock. In view of this, the Defendants were obliged to have in place a regular, systematic procedure for evaluating the prudence of investment in Company stock.

220. The Defendants had no such procedure. Moreover, they failed to conduct an appropriate investigation of the merits of continued investment in Countrywide stock even in light of the losses, the Company's highly risky, potentially unlawful and inappropriate practices, and the particular dangers that these practices posed to the Plan. Such an investigation would have revealed to a reasonably prudent fiduciary the imprudence of continuing to make and maintain investment in Countrywide stock under these circumstances.

221. The Defendants' decisions respecting the Plan's investment in Countrywide stock described above, under the circumstances alleged herein, abused their discretion as ERISA fiduciaries in that a prudent fiduciary acting under similar circumstances would have made different investment decisions. Specifically, based on the above, a prudent fiduciary could not have reasonably believed that further and continued investment of the Plan's contributions and assets in Countrywide stock was in keeping with the Plan's settlor's expectations of how a prudent fiduciary would operate.

222. The Defendants were obligated to discharge their duties with respect to the Plan with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. ERISA § 404(a)(1)(B), 29 U.S.C. § 1104(a)(1)(B).

223. According to DOL regulations and case law interpreting this statutory provision, a fiduciary's investment or investment course of action is prudent if: (a) he has given appropriate consideration to those facts and circumstances that, given the scope of such fiduciary's investment duties, the fiduciary knows or should know are relevant to the particular investment or investment course of action involved, including the role the investment or investment course of action plays in that portion of the plan's investment portfolio with respect to which the fiduciary has investment duties; and (b) he has acted accordingly.

224. Again, according to DOL regulations, "appropriate consideration" in this context includes, but is not necessarily limited to:

- A determination by the fiduciary that the particular investment or investment course of action is reasonably designed, as part of the portfolio (or, where applicable, that portion of the plan portfolio with respect to which the fiduciary has investment duties), to further the purposes of the plan, taking into consideration the risk of loss and the opportunity for gain (or other return) associated with the investment or investment course of action; and
- Consideration of the following factors as they relate to such portion of the portfolio:
    - The composition of the portfolio with regard to diversification;
    - The liquidity and current return of the portfolio relative to the anticipated cash flow requirements of the plan; and
    - The projected return of the portfolio relative to the funding objectives of the plan.

225. Given the conduct of the Company as described above, the Defendants could not possibly have acted prudently when they continued to invest the Plan's assets in Countrywide stock because, among other reasons:

- The Prudence Defendants knew of and/or failed to investigate the failures of the Company, including, but not limited to the following, which made the Company an extremely risky and imprudent investment for the Plan:
  - engaging in potentially unlawful business practices including predatory lending;
  - marketing and extending subprime mortgage loans, made on a "low documentation" basis, without adequate consideration of the borrower's ability to repay and with unreasonably high risk of borrower default;
  - intentionally marketing subprime loans with high risk of default to borrowers who qualified for prime-rate loans in order to increase Company profits;
  - encouraging brokers to market excessively high-cost loans with greater risk of default to borrowers by offering incentive commissions
  - representing that Countrywide had strict and selective underwriting and loan origination practices;
  - representing that Countrywide had sufficient reserves set aside to cover the high-risk loans it was selling;
  - operating with inadequate liquidity in relation to the volatility of Countrywide's business lines and assets; and
  - operating without the requisite internal controls to determine appropriate loan loss provisions; and
  - the artificial inflation of Countrywide stock as a result of the above improper business practices.
- The risk associated with the investment in Countrywide stock during the Class Period was far above and beyond the normal, acceptable risk associated with investment in company stock;
- This abnormal investment risk could not have been known by the Plan's participants, and the Prudence Defendants knew that it was unknown to them

(as it was to the market generally), because the fiduciaries never disclosed it;

- Knowing of this extraordinary risk, and knowing the Plan's participants did not know it, the Prudence Defendants had a duty to avoid permitting the Plan or any participant from investing the Plan's assets in Countrywide stock; and
- Further, knowing that the Plan was not a diversified portfolio, but was heavily invested in Company stock, the Prudence Defendants had a heightened responsibility to divest the Plan of Company stock if it became or remained imprudent.

226. The fiduciary duty of loyalty entails, among other things, a duty to avoid conflicts of interest and to resolve them promptly when they occur. A fiduciary must always administer a plan with single-minded devotion to the interests of the participants and beneficiaries, regardless of the interests of the fiduciaries themselves or the plan sponsor. On information and belief, the Insider Selling Defendants acted in their own self-interest in benefiting from selling huge amounts of Company stock at fraudulently inflated values. Fiduciaries laboring under such conflicts, must, in order to comply with the duty of loyalty, make special efforts to assure that their decision making process is untainted by the conflict and made in a disinterested fashion, typically by seeking independent financial and legal advice obtained only on behalf of the plan.

227. The Insider Selling Defendants breached their duty to avoid conflicts of interest and to promptly resolve them by, *inter alia*, failing to engage independent advisors who could make independent judgments concerning the Plan's investment in Countrywide; failing to notify appropriate federal agencies, including the DOL, of the facts and circumstances that made Countrywide stock an unsuitable investment for the Plan; failing to take such other steps as were necessary to ensure that participants' interests were loyally and prudently served; with respect to each of these above failures, doing so in order to avoid adversely impacting their own compensation or drawing attention to Countrywide's inappropriate practices; engaging in insider sales of Countrywide stock and yet, taking no action to disclose to the Plan's participants the

reason for their sales or to protect the Plan's holdings of Countrywide stock once proper disclosure was made; and by otherwise placing their own and Countrywide's improper interests above the interests of the participants with respect to the Plan's investment in Countrywide stock.

228. As a consequence of the Defendants' breaches of fiduciary duty alleged in this Count, the Plan suffered tremendous losses. If the Defendants had discharged their fiduciary duties to prudently invest the Plan's assets, the losses suffered by the Plan would have been minimized or avoided. Therefore, as a direct and proximate result of the breaches of fiduciary duty alleged herein, the Plan, and indirectly Plaintiff and the other Class members, lost well over one hundred million dollars of retirement savings.

229. Pursuant to ERISA §§ 409, 502(a)(2) and (a)(3), 29 U.S.C. §§ 1109(a), 1132(a)(2) and (a)(3), the Defendants are liable to restore the losses to the Plan caused by their breaches of fiduciary duties alleged in this Count and to provide other equitable relief as appropriate.

B. Count II: Failure to Monitor Fiduciaries.

230. Plaintiff incorporates by this reference the allegations above.

231. This Count alleges fiduciary breaches against the following Defendants: the Company, Director Defendants and Compensation Committee Defendants, through which the Company and the Board of Directors acted in carrying out their appointment responsibilities (collectively, the "Monitoring Defendants").

232. As alleged above, during the Class Period the Monitoring Defendants were named fiduciaries pursuant to ERISA § 402(a)(1), 29 U.S.C. § 1102(a)(1), or *de facto* fiduciaries within the meaning of ERISA § 3(21)(A), 29 U.S.C. § 1002(21)(A), or both. Thus, they were bound by the duties of loyalty, exclusive purpose, and prudence.

233. As alleged above, the scope of the fiduciary responsibilities of the Monitoring Defendants included the responsibility to appoint, and remove, and thus, monitor the performance of other fiduciaries as follows:

Monitoring Fiduciary	Monitored Fiduciary	Reference
Countrywide	Investment Committee Administrative Committee	¶ 62
Director Defendants	Compensation Committee Investment Committee Administrative Committee	¶¶ 66-68
Compensation Committee	Investment Committee Administrative Committee	¶¶ 73-78

234. Under ERISA, a monitoring fiduciary must ensure that the monitored fiduciaries are performing their fiduciary obligations, including those with respect to the investment and holding of plan assets, and must take prompt and effective action to protect the plan and participants when they are not.

235. The monitoring duty further requires that appointing fiduciaries have procedures in place so that on an ongoing basis they may review and evaluate whether the "hands-on" fiduciaries are doing an adequate job (for example, by requiring periodic reports on their work and the plan's performance, and by ensuring that they have a prudent process for obtaining the information and resources they need). In the absence of a sensible process for monitoring their appointees, the appointing fiduciaries would have no basis for prudently concluding that their appointees were faithfully and effectively performing their obligations to plan participants or for deciding whether to retain or remove them.

236. Furthermore, a monitoring fiduciary must provide the monitored fiduciaries with complete and accurate information in their possession that they know or reasonably should know that the monitored fiduciaries must have in order to prudently manage the plan and the plan assets, or that may have an extreme impact on the plan and the fiduciaries' investment decisions regarding the plan.

237. The Monitoring Defendants breached their fiduciary monitoring duties by, among other things: (a) failing, at least with respect to the Plan's investment in Company

stock, to monitor their appointees, to evaluate their performance, or to have any system in place for doing so, and standing idly by as the Plan suffered enormous losses as a result of their appointees' imprudent actions and inaction with respect to Company stock; (b) failing to ensure that the monitored fiduciaries appreciated the true extent of Countrywide's highly risky and inappropriate business and accounting practices and potentially unlawful conduct, and the likely impact of such practices on the value of the Plan's investment in Countrywide stock; (c) to the extent any appointee lacked such information, failing to provide complete and accurate information to all of their appointees such that they could make sufficiently informed fiduciary decisions with respect to the Plan's assets; and (d) failing to remove appointees whose performance was inadequate in that they continued to make and maintain investments in Countrywide stock despite their knowledge of practices that rendered Countrywide stock an imprudent investment during the Class Period for participants' retirement savings in the Plan, and who breached their fiduciary duties under ERISA.

238. As a consequence of the Monitoring Defendants' breaches of fiduciary duty, the Plan suffered tremendous losses. If the Monitoring Defendants had discharged their fiduciary monitoring duties as described above, the losses suffered by the Plan would have been minimized or avoided. Therefore, as a direct and proximate result of the breaches of fiduciary duty alleged herein, the Plan, and indirectly Plaintiff and the other Class members, lost well over one hundred million dollars of retirement savings.

239. Pursuant to ERISA §§ 409, 502(a)(2) and (a)(3), 29 U.S.C. §§ 1109(a), 1132(a)(2) and (a)(3), the Monitoring Defendants are liable to restore the losses to the Plan caused by their breaches of fiduciary duties alleged in this Count and to provide other equitable relief as appropriate.

C. Count III: Breach of Fiduciary Duty – Failure to Provide Complete and Accurate Information to the Plan's Participants and Beneficiaries.

240. Plaintiff incorporates by this reference the allegations above.

241. This Count alleges fiduciary breach against: the Company, the Director Defendants and the Administrative Committee Defendants.

242. At all relevant times, as alleged above, Defendants listed in this Count were fiduciaries within the meaning of ERISA § 3(21)(A), 29 U.S.C. § 1002(21)(A). Thus, they were bound by the duties of loyalty, exclusive purpose, and prudence.

243. At all relevant times, the scope of the fiduciary responsibility of the Defendants included the communications and material disclosures to the Plan participants and beneficiaries.

244. The duty of loyalty under ERISA requires fiduciaries to speak truthfully to participants, not to mislead them regarding the plan or plan assets, and to disclose information that participants need in order to exercise their rights and interests under the plan. This duty to inform participants includes an obligation to provide participants and beneficiaries of the plan with complete and accurate information, and to refrain from providing false information or concealing material information, regarding plan investment options such that participants can make informed decisions with regard to the prudence of investing in such options made available under the plan. This duty applies to all of the Plan's investment options, including investment in Countrywide stock.

245. Because investments in the Plan were not diversified (*i.e.* the Defendants chose to invest the Plan's assets, and/or allow those assets to be invested so heavily in Countrywide stock), such investment carried with it an inherently high degree of risk. This inherent risk made the Defendants' duty to provide complete and accurate information particularly important with respect to Countrywide stock.

246. The Defendants breached their duty to inform participants by failing to provide complete and accurate information regarding Countrywide's serious mismanagement and improper business practices, public misrepresentations and material

accounting irregularities, and the consequential artificial inflation of the value of Countrywide stock, and, generally, by conveying incomplete information regarding the soundness of Countrywide stock and the prudence of investing and holding retirement contributions in Countrywide equity. These failures were particularly devastating to the Plan and its participants; a heavy percentage of the Plan's assets were invested in Countrywide stock during the Class Period and, thus, losses in this investment had a significant impact on the value of participants' retirement assets.

247. Periodically during the Class Period, Countrywide or its delegate, as the Plan Administrator, disseminated information to the participants of the Plan including Summary Plan Descriptions ("SPD") for the Plan. The SPDs and, on information and belief, other information disseminated by Countrywide to the participants of the Plan, incorporated by reference the SEC filings, which contained omissions and misstatements regarding the financial condition of the Countrywide and its results of operations. *See* Countrywide Financial Corporation 401(k) Savings and Investment Plan Prospectus and Summary Plan Description at 20 (Jan. 1, 2006) (Incorporating by reference the following documents filed with the SEC by the Company: the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed with the SEC on March 12, 2004; the Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 2004, filed with the SEC on May 7, 2004; the description of the Company's Common Stock contained in the Registration Statements on Form S-8 filed with the SEC on March 1, 1999; and any future filings made by the Company pursuant to Sections 13, 14 and 15(d) of the Exchange Act).

248. Defendants' omissions clearly were material to participants' ability to exercise informed control over their Plan accounts, as in the absence of the information, participants did not know the true risks presented by the Plan's investment in Countrywide stock.

249. Defendants' omissions and incomplete statements alleged herein were Plan-wide and uniform in that the Defendants failed to provide complete and accurate information to any of the Plan's participants.

250. Defendants in this Count were unjustly enriched by the fiduciary breaches described in this Count.

251. As a direct and proximate result of the breaches of fiduciary duties alleged herein, the Plan, and indirectly Plaintiff and the Plan's other participants and beneficiaries, lost a significant portion of their retirement investment.

252. Pursuant to ERISA § 502(a)(2), 29 U.S.C. § 1132(a)(2) and ERISA § 409(a), 29 U.S.C. § 1109(a), Defendants in this Count are liable to restore the losses to the Plan caused by their breaches of fiduciary duties alleged in this Count.

D. Count IV: Co-Fiduciary Liability.

253. Plaintiff incorporates by this reference the allegations above.

254. This Count alleges co-fiduciary liability against the following Defendants: all Defendants (the "Co-Fiduciary Defendants").

255. As alleged above, during the Class Period the Co-Fiduciary Defendants were named fiduciaries pursuant to ERISA § 402(a)(1), 29 U.S.C. § 1102(a)(1), or *de facto* fiduciaries within the meaning of ERISA § 3(21)(A), 29 U.S.C. § 1002(21)(A), or both. Thus, they were bound by the duties of loyalty, exclusive purpose, and prudence.

256. As alleged above, ERISA § 405(a), 29 U.S.C. § 1105, imposes liability on a fiduciary, in addition to any liability which he may have under any other provision, for a breach of fiduciary responsibility of another fiduciary with respect to the same plan if knows of a breach and fails to remedy it, knowingly participates in a breach, or enables a breach. The Co-Fiduciary Defendants breached all three provisions.

257. **Knowledge of a Breach and Failure to Remedy.** ERISA § 405(a)(3), 29 U.S.C. § 1105, imposes co-fiduciary liability on a fiduciary for a fiduciary breach by another fiduciary if, he has knowledge of a breach by such other fiduciary, unless he makes reasonable efforts under the circumstances to remedy the breach. Each Defendant

knew of the breaches by the other fiduciaries and made no efforts, much less reasonable ones, to remedy those breaches. In particular, they did not communicate their knowledge of the Company's improper activity to the other fiduciaries.

258. Countrywide, through its officers and employees, engaged in highly risky and inappropriate business practices and potentially unlawful conduct, withheld material information from the market, and profited from such practices, and, thus, knowledge of such practices is imputed to Countrywide as a matter of law.

259. Because Defendants knew of the Company's failures, potentially unlawful conduct and inappropriate business practices, they also knew that the Defendants were breaching their duties by continuing to invest in Company stock. Yet, they failed to undertake any effort to remedy these breaches. Instead, they compounded them by downplaying the significance of Countrywide's failed, inappropriate and potentially unlawful business practices, and obfuscating the risk that the practices posed to the Company, and, thus, to the Plan.

260. **Knowing Participation in a Breach.** ERISA § 405(a)(1), 29 U.S.C. § 1105(1), imposes liability on a fiduciary for a breach of fiduciary responsibility of another fiduciary with respect to the same plan if he participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach. Countrywide knowingly participated in the fiduciary breaches of the Defendants in that it benefited from the sale or contribution of its stock at prices that were disproportionate to the risks for the Plan's participants. Likewise, the Monitoring Defendants knowingly participated in the breaches of the Investment and Administrative Committee Defendants because, as alleged above, they had actual knowledge of the facts that rendered Countrywide stock an imprudent retirement investment and yet, ignoring their oversight responsibilities, permitted the Defendants to breach their duties.

261. **Enabling a Breach.** ERISA § 405(a)(2), 29 U.S.C. § 1105(2), imposes liability on a fiduciary if by failing to comply with ERISA § 404(a)(1), 29 U.S.C.

§1104(a)(1), in the administration of his specific responsibilities which give rise to his status as a fiduciary, he has enabled another fiduciary to commit a breach.

262. The Monitoring Defendants' failure to monitor the Defendants, particularly the Investment and Administrative Committee Defendants, enabled that committee to breach their duties.

263. As a direct and proximate result of the breaches of fiduciary duties alleged herein, the Plan, and indirectly Plaintiff and the Plan's other participants and beneficiaries, lost well over one hundred million dollars of retirement savings.

264. Pursuant to ERISA §§ 409, 502(a)(2) and (a)(3), 29 U.S.C. §§ 1109(a), 1132(a)(2) and (a)(3), the Co-Fiduciary Defendants are liable to restore the losses to the Plan caused by their breaches of fiduciary duties alleged in this Count and to provide other equitable relief as appropriate.

E. Count V: Knowing Participation in a Breach of Fiduciary Duty.

265. Plaintiff incorporates the allegations contained in the previous paragraphs of this Complaint as if fully set forth herein.

266. To the extent that Countrywide is found not to have been fiduciary or to have acted in a fiduciary capacity with respect to the conduct alleged to have violated ERISA, Countrywide knowingly participated in the breaches of those Defendants who were fiduciaries and acted in a fiduciary capacity and as such is liable for equitable relief as a result of participating in such breaches.

267. Countrywide benefited from the breaches by discharging its obligations to make contributions to the Plan in amounts specified by the Plan, contributing Countrywide stock to the Plan while the value of the stock was inflated as the result of Countrywide's highly risky and improper business practices, and providing the market with materially misleading statements and omissions. Accordingly, Countrywide may be required to disgorge this benefit or a constructive trust should be imposed on treasury shares of Countrywide stock which would have been contributed to the Plan, but for Countrywide's participation in the foregoing breaches of fiduciary duty.

XII. CAUSATION

268. The Plan suffered enormous losses because substantial assets of the Plan were imprudently invested or allowed to be invested by Defendants in Countrywide stock during the Class Period, in breach of Defendants' fiduciary duties.

269. Defendants are liable for the Plan's losses in this case because: (a) most of the Plan's investment in Countrywide stock was the result of the Defendants' decisions to invest Employer Matching Contributions in the Plan in Countrywide stock and (b) as to the portion of Plan's assets invested in Countrywide stock as a result of participant contributions, the Defendants are liable for these losses because they failed to take the necessary and required steps to ensure effective and informed independent participant control over the investment decision-making process, as required by ERISA § 404(c), 29 U.S.C. § 1104(c), and the regulations promulgated thereunder.

270. The Defendants also are liable for losses that resulted from their decision to invest a majority of the assets of the Plan in Countrywide stock rather than cash or other investment options, and clearly prudent under the circumstances presented here.

271. Had the Defendants properly discharged their fiduciary and co-fiduciary duties, including the monitoring and removal of fiduciaries who failed to satisfy their ERISA-mandated duties of prudence and loyalty, eliminating Countrywide stock as an investment alternative when it became imprudent, and divesting the Plan of Countrywide stock when maintaining such an investment became imprudent, the Plan would have avoided some or all of the losses that it, and indirectly, the participants suffered.

XIII. REMEDY FOR BREACHES OF FIDUCIARY DUTY

272. The Defendants breached their fiduciary duties in that they knew or should have known the facts as alleged above, and therefore knew or should have known that the Plan's assets should not have been invested in Countrywide stock during the Class Period.

273. As a consequence of the Defendants' breaches, the Plan suffered significant losses.

274. ERISA § 502(a)(2), 29 U.S.C. § 1132(a)(2) authorizes a plan participant to bring a civil action for appropriate relief under ERISA § 409, 29 U.S.C. § 1109. Section 409 requires "any person who is a fiduciary. . . who breaches any of the. . . duties imposed upon fiduciaries. . . to make good to such plan any losses to the plan. . . ." Section 409 also authorizes "such other equitable or remedial relief as the court may deem appropriate. . . ."

275. With respect to calculation of the losses to the Plan, breaches of fiduciary duty result in a presumption that, but for the breaches of fiduciary duty, the Plan would not have made or maintained their investments in the challenged investment and, instead, prudent fiduciaries would have invested the Plan's assets in the most profitable alternative investment available to them. Alternatively, losses may be measured not only with reference to the decline in stock price relative to alternative investments, but also by calculating the additional shares of Countrywide stock that the Plan would have acquired had the Plan fiduciaries taken appropriate steps to protect the Plan. The Court should adopt the measure of loss most advantageous to the Plan. In this way, the remedy restores the Plan's lost value and puts the participants in the position they would have been in if the Plan had been properly administered.

276. Plaintiff and the Class are therefore entitled to relief from the Defendants in the form of: (a) a monetary payment to the Plan to make good to the Plan the losses to the Plan resulting from the breaches of fiduciary duties alleged above in an amount to be proven at trial based on the principles described above, as provided by ERISA § 409(a), 29 U.S.C. § 1109(a); (b) injunctive and other appropriate equitable relief to remedy the breaches alleged above, as provided by ERISA §§ 409(a), 502(a)(2) and (3), 29 U.S.C. §§ 1109(a), 1132(a)(2) and (3); (c) injunctive and other appropriate equitable relief pursuant to ERISA § 502(a)(3), 29 U.S.C. 1132(a)(3), for knowing participation by a non-fiduciary in a fiduciary breach; (d) reasonable attorney fees and expenses, as provided by ERISA § 502(g), 29 U.S.C. § 1132(g), the common fund doctrine, and other applicable law; (e) taxable costs and interest on these amounts, as provided by law; and (6) such

other legal or equitable relief as may be just and proper.

277. Under ERISA, each Defendant is jointly and severally liable for the losses suffered by the Plan in this case.

XIV. CLASS ACTION ALLEGATIONS

278. **Class Definition.** Plaintiff brings this action as a class action pursuant to Rules 23(a), (b)(1), (b)(2) and (b)(3) of the Federal Rules of Civil Procedure on behalf of Plaintiff and the following class of persons similarly situated (the "Class"):

> All persons, other than Defendants, who were participants in or beneficiaries of the Plan at any time between January 31, 2006 and the present, and whose accounts included investments in Countrywide stock.

279. **Class Period.** The fiduciaries of the Plan knew or should have known at least by January 31, 2006 that the Company's material weaknesses were so pervasive that Countrywide stock could no longer be offered as a prudent investment for the retirement Plan.

280. **Numerosity.** The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time, and can only be ascertained through appropriate discovery, Plaintiff believes there are, based on the Plan's Form 5500 for Plan year 2005, 46,047 active participants in the Plan who participated in, or were beneficiaries of, the Plan during the Class Period.

281. **Commonality.** Common questions of law and fact exist as to all members of the Class and predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

> (a). whether Defendants each owed a fiduciary duty to Plaintiff and members of the Class;
>
> (b). whether Defendants breached their fiduciary duties to Plaintiff and members of the Class by failing to act prudently and solely in the interests of

the Plan's participants and beneficiaries;

(c). whether Defendants violated ERISA; and

(d). whether the Plan has suffered losses and, if so, what is the proper measure of damages.

282. **Typicality.** Plaintiff's claims are typical of the claims of the members of the Class because: (1) to the extent Plaintiff seeks relief on behalf of the Plan pursuant to ERISA § 502(a)(2), his claim on behalf of the Plan is not only typical to, but identical to a claim under this section brought by any Class member; and (2) to the extent Plaintiff seeks relief under ERISA § 502(a)(3) on behalf of himself for equitable relief, that relief would affect all Class members equally.

283. **Adequacy.** Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class action, complex, and ERISA litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

284. **Rule 23(b)(1)(A) Requirements.** Class action status in this ERISA action is warranted under Rule 23(b)(1)(A) because prosecution of separate actions by the members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class which would establish incompatible standards of conduct for the party opposing the class.

285. **Rule 23(b)(1)(B) Requirements.** Class action status in this ERISA action is warranted under Rule 23(b)(1)(B) because prosecution of separate actions by the members of the Class would create a risk of adjudications with respect to individual members of the Class which would, as a practical matter, be dispositive of the interests of the other members not parties to the actions, or substantially impair or impede their ability to protect their interests.

286. **Other Rule 23(b) Requirements.** Class action status is also warranted under the other subsections of Rule 23(b) because: (i) prosecution of separate actions by the members of the Class would create a risk of establishing incompatible standards of

conduct for Defendants; (ii) Defendants have acted or refused to act on grounds generally applicable to the Class, thereby making appropriate final injunctive, declaratory, or other appropriate equitable relief with respect to the Class as a whole; and (iii) questions of law or fact common to members of the Class predominate over any questions affecting only individual members and a class action is superior to the other available methods for the fair and efficient adjudication of this controversy.

XV. PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for:

A. A Declaration that the Defendants, and each of them, have breached their ERISA fiduciary duties to the participants;

B. A Declaration that the Defendants, and each of them, are not entitled to the protection of ERISA § 404(c)(1)(B), 29 U.S.C. § 1104(c)(1)(B);

C. An Order compelling the Defendants to make good to the Plan all losses to the Plan resulting from Defendants' breaches of their fiduciary duties, including losses to the Plan resulting from imprudent investment of the Plan's assets, and to restore to the Plan all profits the Defendants made through use of the Plan's assets, and to restore to the Plan all profits which the participants would have made if the Defendants had fulfilled their fiduciary obligations;

D. Imposition of a Constructive Trust on any amounts by which any Defendant was unjustly enriched at the expense of the Plan as the result of breaches of fiduciary duty;

E. An Order requiring Defendants to appoint one or more independent fiduciaries to participate in the management of the Plan's investment in Countrywide stock;

F. Actual damages in the amount of any losses the Plan suffered;

G. An Order awarding costs pursuant to 29 U.S.C. § 1132(g);

H. An Order awarding attorneys' fees pursuant to the common fund doctrine, 29 U.S.C. § 1132(g), and other applicable law; and

I. An Order for equitable restitution and other appropriate equitable and injunctive relief against the Defendants.

DATED this ____th day of May, 2008.

KELLER ROHRBACK L.L.P.

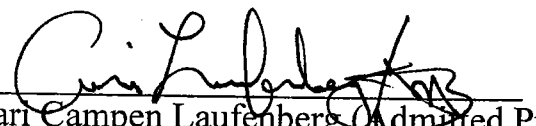

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EXHIBIT A

EX-4.1 2 v29820exv4w1.htm EXHIBIT 4.1

Exhibit 4.1

COUNTRYWIDE CREDIT INDUSTRIES, INC.
401(k) SAVINGS AND INVESTMENT PLAN

As amended and restated
effective January 1, 1997

TABLE OF CONTENTS

COUNTRYWIDE CREDIT INDUSTRIES, INC.
401(k) SAVINGS AND INVESTMENT PLAN
As amended and restated
effective January 1, 1997

PURPOSE

The purpose of the Countrywide Credit Industries, Inc. 401(k) Savings and Investment Plan is to provide eligible employees of Countrywide Credit Industries, Inc. and of other participating employers with an opportunity to increase their savings on a tax-favored basis.

The Plan is intended to (1) qualify as a profit-sharing plan for purposes of Sections 401(a), 402, 412, and 417 of the Internal Revenue Code of 1986, as amended (the "Code"), (2) qualify as a cash or deferred arrangement under Section 401(k) of the Code, and (3) comply with the requirements of the Employee Retirement Income Security Act of 1974, as amended.

The Plan originally was adopted by Countrywide Credit Industries, Inc. effective September 1, 1984.

Effective October 1, 1991, the Countrywide Credit Industries, Inc. Profit Sharing Stock Ownership Plan ("ESOP") was merged into the Plan and the ESOP accounts were transferred to the Plan. Effective thereafter, the Plan consisted of a profit-sharing plan with 401(k) and employee stock ownership plan features, and the portion of the Plan consisting of the ESOP accounts is intended to be an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Code.

The Plan was amended and restated effective January 1, 1992. The Internal Revenue Service issued a favorable determination letter dated June 1, 1993 (File Folder Number 950041329) with respect to the Plan as amended and restated, including amendments adopted on November 15, 1993.

The Plan was again amended and restated on May 6, 1996.

The plan document sets forth the provisions of the Plan as amended and restated effective January 1, 1997 except as otherwise specifically provided in the Plan. This amendment and restatement reflects the applicable provisions of the Uruguay Round Agreements Act (Pub. L. 103-188); the Uniformed Services Employment and Reemployment Rights Act of 1994 (Pub. L. 103-353); the Small Business Job Protection Act of 1996 (Pub. L. 104-188); the Taxpayer Relief Act of 1997 (Pub. L. 105-34); the Internal Revenue Service Restructuring and Reform Act of 1998 (Pub. L. 105-206); and the Community Renewal Tax Relief Act of 2000 (Pub. L. 106-554). All issues arising with respect to participation in the Plan prior to January 1, 1997 shall be determined by the terms and provisions of the Plan as in effect prior to January 1, 1997 except as otherwise specifically provided in the Plan.

ARTICLE 1

DEFINITIONS

Wherever used herein, the following terms shall have the following meanings:

1.01 "Account" means the entire interest of a Participant in the Trust Fund and shall refer, as the context indicates, to any or all of the following subaccounts:

(a) **"Employer Contribution Account"** means that portion of the Participant's Account attributable to the Employer Matching Contributions and Employer Discretionary Contributions made on the Participant's behalf by a Participating Employer as adjusted for withdrawals and distributions and the earnings, losses and expenses attributable thereto.

(b) **"ESOP Account"** means that portion of the Participant's Account attributable to the transfer of the Participant's account under the Countrywide Credit Industries, Inc. Profit Sharing Stock Ownership Plan, if any, as adjusted for withdrawals and distributions and the earnings, losses and expenses attributable thereto.

(c) **"Rollover Contribution Account"** means that portion of the Participant's Account attributable to the Participant's Rollover Contributions, if any, as adjusted for withdrawals and distributions and the earnings, losses and expenses attributable thereto.

(d) **"Salary Deferral Contribution Account"** means that portion of the Participant's Account attributable to the Salary Deferral Contributions made on the Participant's behalf by a Participating Employer as adjusted for withdrawals and distributions and the earnings, losses and expenses attributable thereto.

1.02 "Actual Contribution Percentage" means the contribution percentage as defined in Section 6.04(b).

1.03 "Actual Deferral Percentage" means the deferral percentage as defined in Section 6.03(c).

1.04 "Administrator" means the Company or such other person or committee designated by the Company to administer the Plan in accordance with Article 14.

1.05 "Affiliated Company" means, with respect to any Participating Employer, any corporation which is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) which includes the Participating Employer; any trade or business (whether or not incorporated) which is under common control (as defined in Section 414(c) of the Code) with the Participating Employer; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Section 414(m) of the Code) which includes the Participating Employer; and any other entity required to be aggregated with the Participating Employer pursuant to regulations under Section 414(o) of the Code, Except as provided in Appendix D, an Affiliated Company shall not be deemed an Affiliated Company for any purpose under the Plan with respect to any period before it became an Affiliated Company or after it ceases to be an Affiliated Company.

1.06 "After-Tax Contribution" means a Participant voluntary contribution that is included in the Participant's taxable income in the year earned. After-Tax Contributions are not permitted under the Plan.

1.07 "Annual Addition" means annual addition as defined in Section 6.01(a).

1.08 "Beneficiary" means any person entitled to receive payment of a Participant's Account pursuant to Section 13.04 as a result of the death of the Participant.

1.09 "Board of Directors" means the Board of Directors of the Company.

1.10 "Code" means the Internal Revenue Code of 1986, as amended.

1.11 "Company" means Countrywide Credit Industries, Inc. or any successor by merger, consolidation or sale of assets.

1.12 "Company Stock" means the common stock of Countrywide Credit Industries, Inc.

1.13 "Compensation" means for any Plan Year a Participant's wages as defined in Section 3401(a) of the Code (for purposes of federal income tax withholding) determined without regard to any rules that limit remuneration included in wages based on the nature or location of the employment or the services performed, subject to the following inclusions and exclusions:

(a) including employer contributions made pursuant to a compensation reduction agreement which are not includible in the gross income of a Participant under Sections 125, 402(a)(8), 402(h) or 403(b) of the Code and for Plan Years beginning on or after January 1, 2001, Section 132(f)(4) of the Code;

(b) excluding any amounts paid as moving expenses, shift differential, call-in pay and any other amounts paid on an irregular or discretionary basis as bonuses or special awards;

(c) excluding any wages paid by reason of services performed (i) prior to the effective date of the Participant's participation in the Plan and (ii) after the Participant ceases to be an Eligible Employee; and

(d) excluding amounts paid to or in respect of Employees who are on international assignment for expenses related directly to such assignment such as allowances and relocation expenses.

The maximum amount of Compensation that may be taken into account with respect to any Employee for any Plan Year shall not exceed the amount of annual Compensation permitted to be taken into account for such Plan Year under Section 401(a)(17) of the Code, as adjusted for cost-of-living increases in accordance with applicable regulations and rulings.

1.14 "Designated Fiduciary" means the Trustee or any other person who is designated by the Company as a "named fiduciary" (within the meaning of Section 403(a)(l) of ERISA) for purposes of the exercise of voting, tender, and other stockholder rights with respect to Company Stock in accordance with Section 8.05.

1.15 "Eligible Employee" means any Employee employed by a Participating Employer, but excluding:

(a) any individual who is covered by a collective bargaining agreement with respect to which retirement benefits were the subject of good faith bargaining and to which a Participating Employer is a party, and which agreement does not provide for participation in the Plan;

(b) any individual who is not otherwise employed by a Participating Employer but who (i) is a "leased employee" with respect to whose services such Participating Employer is the recipient within the meaning of Section 414(n)(2) of the Code but to whom Section 414(n)(5) of the Code does not apply, or (ii) is treated as a leased employee by a Participating Employer in accordance with such employer's usual employment policies and procedures;

(c) any individual who is eligible to participate in another tax-qualified profit sharing plan with a cash or deferred arrangement sponsored or maintained by a Participating Employer;

(d) any individual who is a nonresident alien who receives no compensation from sources within the United States (within the meaning of 861 (a)(3) of the Code);

(e) any temporary Employee as determined by the Participating Employer, whose Employment Commencement Date (as defined in Section 2.05) is after December 31, 2001, and who has not completed a Year of Service (as defined in Section 2.09(b)); and

(f) any individual not classified by the Participating Employer as an employee on the Participating Employer's payroll records, although the individual is later determined to have been misclassified. An individual who (1) is considered an Employee solely by reason of being classified by a Participating Employer as a leased employee or (2) is classified by a Participating Employer as an independent contractor, shall not be an Eligible Employee, regardless of whether, for employment tax or other purposes, the individual is subsequently determined not to be a leased employee or independent contractor. For purposes of determining eligibility under the Plan, the classification to which an individual is assigned by a Participating Employer shall be final and conclusive, regardless of whether a court or other entity subsequently finds that such individual should have been assigned to a different classification.

1.16 "Employee" means any individual who is treated as a common law employee of a Participating Employer in accordance with its usual employment policies and procedures

1.17 "Employer Discretionary Contributions" means the contributions made by a Participating Employer on behalf of Participants as described in Section 5.02.

1.18 "Employer Matching Contributions" means the contributions made by a Participating Employer on behalf of Participants as described in Section 5.01.

1.19 "Entry Date" means the first day of each calendar month.

1.20 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.21 "Highly Compensated Employee" has the meaning set forth in Section 6.01 (b).

1.22 "Investment Fund" means one or more of the investment vehicles made available to Participants for investment of their Accounts pursuant to Article 8.

1.23 "Limitation Year" means the year as defined Section 6.01(c).

1.24 "Non-highly Compensated Employee" has the meaning set forth in Section 6.01 (d).

1.25 "Participant" means any Eligible Employee or former Eligible Employee who has met the participation requirements set forth in Article 3. "Participant" shall, solely for purposes of Articles 7, 8, 13, 14, 15, 16 and 18 and Appendix B and Sections 3.04, 4.02, 9.01, and 11.03 (and any other definitions in this Article 1 pertinent thereto), also include individuals who have made Rollover Contributions or otherwise established Rollover Accounts hereunder without regard to whether such individuals have satisfied the criteria for eligibility under Article 3 hereof.

1.26 "Participating Employer" means (a) the Company, and (b) any Affiliated Company or entity which has adopted the Plan in accordance with the requirements of Article 16.

1.27 "Plan" means the Countrywide Credit Industries, Inc. 401(k) Savings and Investment Plan, a profit sharing plan as set forth herein and as may be amended from time to time.

1.28 "Plan Year" means the calendar year.

1.29 "Required Beginning Date" means:

(a) for calendar years commencing prior to January 1, 2001, and for five-percent (5%) owners regardless of the commencement date for a calendar year, April 1 of the calendar year following the calendar year in which the Participant attained age 70 1/2;

(b) for calendar years commencing after January 1, 2001, April 1 of the calendar year following the later of the calendar year in which the Participant attains age 70 1/2 or retires; provided, that the Participant is not a five-percent (5%) owner.

Notwithstanding the above, any Participant attaining age 70 1/2 in 1999 and 2000 may elect by the April 1 of the calendar year following the year in which the Participant attained age 70 1/2, to defer distributions until the calendar year following the calendar year in which the Participant retires. If no such election is made the Participant will begin receiving distributions by the April 1 of the calendar year following the year in which the Participant attained age 70 1/2.

1.30 "Rollover Contribution" means the contribution made to the Plan by an Eligible Employee pursuant to Section 4.02 of all or part of the amount distributed to the Eligible Employee from another qualified plan excluding any amount that is not an "eligible rollover distribution" as defined in Section 402(f)(2)(A) of the Code from an "eligible retirement plan" as defined Section 402(c)(8)(B) of the Code.

1.31 "Salary Deferral Contributions" means the contributions made by a Participating Employer on behalf of a Participant pursuant to the Participant's election to defer Compensation under Section 4.01.

1.32 "Section 415 Compensation" means compensation as defined in Section 6.01(e).

1.33 "Section 415 Employer" means a an employer as defined in Section 6.08(d).

1.34 "Total Disability" means, with respect to any Participant, a disability with respect to which he or she is eligible for and is receiving benefits under the Company's long term disability plan.

1.35 "Trust Agreement" means the agreement between the Company and the Trustee under which the assets are held, administered and managed.

1.36 "Trust Fund" means all assets under the Plan held by the Trustee.

1.37 "Trustee" means any person, bank, or such other trustee or trustees under the Trust Agreement as may be appointed by the Company to hold, invest and disburse the funds of the Plan.

1.38 "Valuation Date" means each business day and such other dates as may be selected by the Administrator for valuing the Trust Fund.

ARTICLE 2

DEFINITIONS AND RULES FOR DETERMINING SERVICE

2.01 "Approved Absence" means an Employee's approved leave of absence from employment because of illness, disability, pregnancy, educational pursuits, service as a juror, or temporary employment with a government agency, or other leave of absence approved by the Participating Employer or Affiliated Company. An Approved Absence also includes any leave of absence in accordance with the requirements of the Family and Medical Leave Act of 1993. The Participating Employer or Affiliated Company that employs the Employee shall determine the first and last days of any Approved Absence.

2.02 "Break in Service" means a Plan Year during which an Employee fails to complete more than 501 Hours of Service with the Company or Affiliated Company.

Solely for purposes of determining whether an Employee has a Break in Service, Hours of Service shall be recognized during an Approved Absence or a Maternity or Paternity Leave of Absence. During such absence, the Employee shall be credited with the Hours of Service which would have been credited but for the absence, or, if such hours cannot be determined, with eight (8) hours per day. Credit shall be given only after the Employee has furnished to the Administrator such timely information as the Administrator may reasonably require to establish that the absence is for a reason described herein.

No more than 501 Hours of Service shall be credited by reason of any one pregnancy or placement. Hours of Service credited shall be credited solely for purposes of determining whether a Break in Service has occurred in a computation period. All Hours of Service credited shall be credited only in the computation period in which the absence from work begins if any of such Hours of Service are required in that computation period to avoid a Break in Service. If none of the Hours of Service credited hereunder are required to avoid a Break in Service in the computation period in which the absence begins, then the Hours of Service will be credited to the next computation period.

2.03 "Eligibility Computation Period" means (a) the 3-consecutive calendar month period beginning with the calendar month in which an Employee's Employment Commencement Date occurs if the Employee has completed 250 or more Hours of Service during such period, or (b) in the case of an Employee who fails to complete 250 or more Hours of Service during his first Eligibility Computation

Period, any calendar quarter commencing after the Employee's Employment Commencement Date during which the Employee completes 250 or more Hours of Service.

2.04 "Employer Contribution Eligibility Computation Period" means (a) the 12-consecutive calendar month period beginning with the calendar month in which an Employee's Employment Commencement Date occurs if the Employee has completed 1,000 or more Hours of Service during such period, or (b) in the case of an Employee who fails to complete 1,000 or more Hours of Service during his first Employer Contribution Eligibility Computation Period, any Plan Year commencing after the Employee's Employment Commencement Date during which the Employee completes 1,000 or more Hours of Service.

2.05 "Employment Commencement Date" means the first day on which an Employee is entitled to be credited with an Hour of Service for the Company or an Affiliated Company.

2.06 "Employment Recommencement Date" means the first day on which an Employee is entitled to be credited with an Hour of Service for the Participating Employer or an Affiliated Company following a Break in Service.

2.07 "Hours of Service" means, for an Employee:

(a) Each hour for which an Employee is directly or indirectly paid, or entitled to payment, for the performance of duties for the Participating Employer or an Affiliated Company. Each such hour shall be credited to the Employee for the computation period or periods in which the duties are performed;

(b) Each hour for which an Employee is directly or indirectly paid, or entitled to payment, by the Participating Employer or an Affiliated Company on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence. Each such hour shall be credited to the Employee for the computation period or periods in which such period occurs, subject to the following rules:

(i) No more than 501 Hours of Service shall be credited under this paragraph (b) to an Employee on account of any single continuous period during which the Employee performs no duties (whether or not such period occurs in a single computation period), and

(ii) Hours of Service will not be credited under this paragraph (b) for which payment by the Company or an Affiliated Company is made or due under a plan maintained solely for the purpose of complying with applicable workers' compensation, unemployment compensation, or disability insurance laws or where payment solely reimburses the Employee for medical or medically-related expenses incurred by the Employee; and

(c) Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Participating Employer or an Affiliated Company. The same Hours of Service shall not be credited both under paragraph (a) or paragraph (b), as the case may be, and under this paragraph (c). These hours shall be credited to the Employee for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement, or payment is made.

For Employees for whom the Company or an Affiliated Company does not maintain records sufficient to determine Hours of Service, Hours of Service shall be credited for each payroll period of the Employee for which the Employee receives or is entitled to receive compensation as follows:

Payroll Period	Hours of Service Credited
(1) Daily	10
(2) Weekly	45
(3) Bi-Weekly	90
(4) Semi-Monthly	95
(5) Monthly	190

Hours of Service will be calculated and credited in a manner consistent with Section 2530.200b-2 of the Department of Labor Regulations which is incorporated herein by reference.

2.08 "Maternity or Paternity Leave of Absence" means an absence from work by reason of the Employee's pregnancy, birth of a child of the Employee, placement of a child with the Employee in connection with adoption, or any absence for purposes of caring for such a child for a period immediately following such birth or placement.

2.09 "Year of Service" means:

(a) For purposes of determining an Employee's vested status under the Plan, any Plan Year during which the Employee is credited with at least 1,000 Hours of Service with the Participating Employer or an Affiliated Company; and

(b) For purpose of determining an Employee's eligibility to participate under the Plan, the twelve month period commencing on the date an Employee first completed an Hour of Service with the Participating Employer or an Affiliated Company, or any Plan Year during which an Employee is credited with at least 1,000 Hours of Service with the Participating Employer or an Affiliated Company.

Except as authorized by the Company, an Employee shall not receive credit for any Years of Service with an Affiliated Company prior to the date on which such company first became an Affiliated Company.

2.10 Rules for Crediting Service

If a Participant is reemployed by the Participating Employer or an Affiliated Company after a Break in Service, the following special rules shall apply in determining the Participant's Years of Service:

(a) In the case of a Participant who is reemployed before the occurrence of five (5) consecutive Breaks in Service:

(i) Years of Service completed prior to such break will not be taken into account until the Participant has completed a Year of Service following his or her Employment Recommencement Date; and

(ii) both pre-break and post-break Years of Service will count in vesting his or her pre-break and post-break Account balances.

(b) In the case of Participant who is reemployed after the occurrence of five (5) or more consecutive Breaks in Service (or who is reemployed prior to such occurrence but does not make the repayment provided for in Section 9.04):

(i) separate Employer Contribution Accounts will be maintained to reflect the Participant's pre-break and post-break Account balances; and

(ii) all Years of Service after such Breaks in Service will be disregarded for the purposes of vesting the pre-break Account balance, but both pre-break and post-break Years of Service will count for purposes of vesting the Account balance that accrues after such break.

2.11 Absence Due to Military Service.

Notwithstanding any provision of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

2.12 Special Rule in Connection with Certain Spinoffs and Mergers.

Notwithstanding any provision of the Plan to the contrary, to the extent specified in a resolution of the Board of Directors, assets and liabilities of Accounts may be transferred to the trustee of another company's qualified plan. The names of the company qualified plan and trustee accepting the transfer, as well as the nature of the assets, shall be set forth in Appendix C hereof. Thereafter, each Account shall be governed by the terms and conditions of the qualified plan accepting the transfer. Transfer of a Participant's Account and assets related to such Account shall completely discharge all obligations of the Company and Plan to a Participant, a company to which the Participant was transferred and a plan and trust to which the assets were transferred.

2.13 Special Rule in Connection with Certain Acquisition Transactions.

Notwithstanding any provision of the Plan to the contrary, to the extent specified in a resolution of the Board of Directors, the service of any Employee with a corporation or other trade or business prior to its acquisition by the Company or an Affiliated Company shall be recognized hereunder as though such service were rendered for a Participating Employer hereunder. The name of the corporation or other trade or business the preacquisition service for which is so recognized and the purposes for which such preacquisition service is recognized (e.g., eligibility, vesting, etc.) shall be set forth in Appendix D hereof.

ARTICLE 3

PARTICIPATION IN THE PLAN

3.01 Eligibility to Participate.

(a) The following provisions shall apply for the purpose of determining an Eligible Employee's participation in the Plan.

(i) Each Employee as of January 1, 1997 who was a participant in the Plan immediately prior to January 1, 1997 shall continue to be a Participant as of January 1, 1997.

(ii) Each Employee who was not eligible to participate immediately prior to January 1, 1997 shall become a Participant upon the Entry Date coincident with or next following the date he or she meets the following requirements:

(A) Attainment of age 21; and

(B) Completion of the Eligibility Computation Period,

if he or she is then an Eligible Employee.

(iii) If an individual is not an Eligible Employee on the date such individual would otherwise become a Participant pursuant to Section 3.01(a)(ii), such individual shall become a Participant as of the first date thereafter on which he or she is an Eligible Employee.

(iv) A Participant who ceases to be an Eligible Employee, by separation from service or otherwise, and who later becomes an Eligible Employee, shall become a Participant on the Entry Date coincident with or immediately following the date on which he or she first again completes an Hour of Service as an Eligible Employee.

(b) The following provisions apply for the purpose of determining a Participant's eligibility to receive allocations of Employer Matching Contributions and Employer Discretionary Contributions:

(i) Each Participant as of January 1, 1997, who was eligible to receive allocations of Employer Matching Contributions and Employer Discretionary Contributions immediately prior to January 1, 1997, shall be eligible for this purpose as of January 1, 1997.

(ii) A Participant who was not eligible to receive allocations of Employer Matching Contributions and Employer Discretionary Contributions immediately prior to January 1, 1997, shall become eligible for this purpose upon the Entry Date coincident with or next following the date he or she meets the following requirements:

(A) Attainment of age 21; and

(B) Completion of the Employer Contribution Eligibility Period,

if he or she is then a Participant.

(iii) If an individual is not a Participant on the date he or she would otherwise become eligible to receive allocations of Employer Matching Contributions and Employer Discretionary Contributions pursuant to Section 3.01(b)(ii), such individual shall become so eligible to receive allocations of Employer Matching Contributions and Employer Discretionary Contributions as of the Entry Date coincident with or immediately following the date thereafter on which he or she becomes a Participant.

(iv) A Participant eligible to receive allocations with respect to Employer Matching Contributions and Employer Discretionary Contributions who ceases to be an Eligible Employee, by separation from service or otherwise, and who later becomes an Eligible Employee, shall become eligible to receive such allocations as of the Entry Date

coincident with or immediately following the date on which he or she first again completes an Hour of Service.

3.02 Break in Service.

(a) If an Eligible Employee incurs a Break in Service before he or she becomes eligible to participate in the Plan and he or she later is reemployed as an Eligible Employee, he or she shall be treated as a new Employee at the time of his or her reemployment for purposes of the participation requirements.

(b) If an Eligible Employee incurs a Break in Service after he or she becomes eligible to participate in the Plan and he or she later is reemployed as an Eligible Employee, he or she shall become a Participant in the Plan commencing on the Entry Date coincident with or immediately following his or her Employment Recommencement Date.

3.03 Cessation of Eligibility to Participate.

If a Participant transfers employment to a non-Participating Employer, terminates employment, or ceases to be an Eligible Employee, his or her participation in the Plan with respect to Salary Deferral Contributions, Employer Matching Contributions, Employer Discretionary Contributions, and Rollover Contributions will cease as of the date he or she ceases to be an Eligible Employee. After such date, he or she shall continue to be a Participant only with respect to the allocation of earnings, losses, and expenses made in accordance with Article 7 until the balance credited to his or her Account is distributed.

3.04 Data.

Each Employee shall furnish to the Administrator such data as the Administrator may consider necessary for the determination of the Employee's rights and benefits under the Plan and shall otherwise cooperate fully with the Administrator in the administration of the Plan.

ARTICLE 4

PARTICIPANT CONTRIBUTIONS

4.01 Salary Deferral Contributions.

(a) A Participant may elect to have Salary Deferral Contributions made on his or her behalf in an amount equal to a full percentage of his or her Compensation from 1 percent (1%) to 16 percent (16%) or such other percentage as may be established by the Administrator. Such contributions shall be made by the Participating Employer as a reduction in the Compensation that would otherwise be payable to the Participant.

(b) For Plan Years beginning on or after January 1, 2002, a Participant may change his or her election with respect to Salary Deferral Contributions effective as of the next available payroll period. For Plan Years beginning prior to January 1, 2002, a Participant may change his or her election with respect to Salary Deferral Contributions effective as of any Entry Date. A Participant may revoke his or her election at any time; provided, however, that such Participant may not again elect to have Salary Deferral Contributions made on his or her behalf beginning earlier than the first Entry Date occurring at least 90 days after the date of the election revocation.

(c) A Participant's election to have Salary Deferral Contributions made on his or her behalf, or to change or revoke his or her election, shall be made in the form, manner, and in accordance with the notice requirements, prescribed by the Administrator.

(d) Salary Deferral Contributions shall be transferred by a Participating Employer to the Trust Fund as of the earliest date on which such contributions can reasonably be segregated from the Company's general assets, but in no event later than the fifteenth (15th) business day of the month following the month in which the Salary Deferral Contributions would have otherwise been payable to the Participant in cash.

(e) Salary Deferral Contributions shall be subject to the limitations set forth in Articles 6 and 8. The Administrator may reject, amend or revoke the election of any Participant at any time if the Administrator determines that such change or revocation is necessary to insure that the limitations of Articles 6 and 8 are not exceeded.

4.02 Rollover Contributions.

(a) Subject to approval of the Administrator, a Participant may at any time contribute to the Trust Fund all or a portion of the cash he or she has received from (i) another qualified plan under circumstances meeting the rollover requirements of Section 402(c) of the Code, or (ii) a conduit individual retirement account that meets the requirements of Section 408(d)(3)(A)(ii) of the Code, was established to hold distributions received from qualified retirement plans of former employers and does not contain nondeductible contributions made by the Employee while he or she was a participant in such plans.

(b) Such Rollover Contribution must be made no later than sixty (60) days following the date on which the Participant receives distribution from such other qualified plan or conduit individual retirement account and must comply with the provisions of Section 402(c), 403(a)(4), or 408(d)(3) of the Code, whichever applies.

(c) Distributions from a plan for a self-employed person shall not be transferred to the Plan, unless the transfer is directly to the Trust Fund from the funding agent of the distributing plan.

(d) The interest being transferred shall not include assets from any plan to the extent that the Administrator determines that the transfer of such interest (i) would impose upon the Plan requirements as to form of distribution that would not otherwise apply hereunder, (ii) would otherwise result in the elimination of Code Section 411(d)(6) protected benefits, or (iii) would cause the Plan to be a direct or indirect transferee of a plan to which the joint and survivor annuity requirements of Code Sections 401(a)(11) and 417 apply.

(e) The distributions transferred by or for an Eligible Employee from another qualified retirement plan or from an individual retirement account shall be credited to the Employee's Rollover Account.

(f) An Employee shall be fully vested at all times in his Rollover Account.

(g) An Employee's Rollover Account shall be distributed as otherwise provided under the Plan.

(h) The Administrator may require such assurances and certifications as it may deem necessary to determine whether the amounts to he rolled over in fact meet the rollover treatment requirements of the Code and will not affect the qualification of the Plan under Section 401 (a) of the Code.

(i) Notwithstanding any other provision hereof to the contrary, to the extent specified in a resolution of the Board of Directors, subject to further approval of the Administrator, a Participant who was an employee of another corporation or trade or business who became an Employee because of the acquisition of such corporation or trade or business shall have participant loans eligible for Rollover Contribution as set forth in Appendix D.

ARTICLE 5

EMPLOYER CONTRIBUTIONS

5.01 Employer Matching Contributions.

(a) The Company, in its sole discretion, from time to time shall determine the amount, if any, of Employer Matching Contributions to be made for any Plan Year on behalf of Participants who are Eligible Employees of the Company and each Participating Employer; provided, however that no Employer Matching Contributions shall be made in respect of any Salary Deferral Contributions made by a Participant prior to the Entry Date described in Section 3.01(b). The amount of Employer Matching Contributions determined by the Company shall continue in effect for subsequent Plan Years unless and until the Company provides otherwise.

(b) The amount of the Employer Matching Contribution to be allocated to each such Participant's Account for a Plan Year shall be equal to such dollar amount, such percentage of a Participant's Salary Deferral Contributions, or any combination thereof, as may be determined by the Company in its sole discretion.

(c) Employer Matching Contributions made on behalf of any Participant shall be subject to the limitations set forth in Article 6.

5.02 Employer Discretionary Contributions.

(a) For each Plan Year, the Company, in its sole discretion, shall determine the amount, if any, of Employer Discretionary Contributions to be made on behalf of Participants who are Employees of the Company and each Participating Employer.

(b) The amount of the Employer Discretionary Contribution to be allocated to each such Participant's Account for a Plan Year shall be determined by either of the following methods, as selected by the Company in its sole discretion: (i) a uniform dollar amount for each Participant or (ii) the ratio that such Participant's Compensation for the Plan Year (or for the portion of the Plan Year during which he or she was actually a Participant, if applicable) bears to the Compensation for all such eligible Participants for the Plan Year.

(c) Employer Discretionary Contributions made on behalf of any Participant shall be subject to the limitations set forth in Article 6.

5.03 Time of Payment of Contributions.

Employer Matching Contributions and Employer Discretionary Contributions shall be paid by a Participating Employer to the Trust Fund at such time or times as may be determined by the Company or Participating Employer, but in no event later than the due date (including extensions) prescribed by law for filing the federal income tax return for the Participating Employer's taxable year for which the Employer Matching Contributions and Employer Discretionary Contributions are claimed as an income tax deduction.

5.04 Form of Contributions.

(a) Employer Matching Contributions and/or Employer Discretionary Contributions to be allocated to Participants who are Employees of the Company or a Participating Employer which is an Affiliated Company may be made, at the discretion of the Company, in cash or in Company Stock issued by the Company or purchased on a national securities exchange.

(b) For purposes of allocating contributions to Participants, Company Stock shall be valued as follows:

(i) The value of Company Stock purchased on a national securities exchange shall be the purchase price of such Company Stock, exclusive of commissions.

(ii) The value of Company Stock which is issued by the Company for the purpose of contributing it to the Plan shall be the average of the closing price for the last five (5) business days of the calendar quarter for which the contribution is being made.

ARTICLE 6

LIMITATIONS ON CONTRIBUTIONS

6.01 Definitions.

The following definitions shall apply for purposes of this Article 6:

(a) **"Annual Addition"** means the sum of the following amounts allocated to a Participant's Account during the Limitation Year:

(i) employer contributions,

(ii) employee contributions,

(iii) forfeitures, and

(iv) amounts described in Sections 415(l)(l) and 419(A)(d)(2) of the Code.

The amount of a Participant's Annual Additions shall be determined without regard to the limitations set forth in Sections 6.02, 6.03, 6.04 and 6.05.

(b) **"Highly Compensated Employee"** means any Participant who during the Plan Year was a five percent (5%) owner, or during the preceding Plan Year was (i) a five percent (5%) owner or (ii) received compensation in excess of $80,000 or such higher amount as may be in effect under Section 414(q)(l)(B) of the Code. For purposes of this Section 6.1(b), "compensation" means Section 415 Compensation.

(c) **"Limitation Year"** means the Plan Year.

(d) **"Non-highly Compensated Employee"** means an Employee who is not a Highly Compensated Employee.

(e) **"Section 415 Compensation"** means wages within the meaning of Section 3401(a) of the Code and all other payments of compensation to a Participant by a Participating Employer (in the course of the Participating Employer's trade or business) for which the Participating Employer is required to furnish the employee a written statement under Sections 6041(d), 6051(a)(3), and 6052 of the Code. For Limitation Years beginning after December 31, 1997, Section 415 Compensation shall include the Participant's Salary Deferral Contributions pursuant to this Plan, his elective deferrals (as defined in Section 402(g)(3) of the Code) pursuant to any other plan of an Affiliated Company and any amount that is contributed or deferred by an Affiliated Company at the election of the Participant and which is not includible in the gross income of the Participant by reason of Section 125 or 457 of the Code. For Limitation Years commencing on or after January 1, 2001, Section 415 Compensation also shall include elective amounts that are not includible in the gross income of the Participant by reason of Section 132(f)(4) of the Code.

The maximum amount of Section 415 Compensation that may be taken into account in any Plan Year shall not exceed the dollar limitation contained in Section 401(a)(17) of the Code in effect as of the beginning of the Plan Year, as adjusted by for cost-of-living increases in accordance with applicable regulations and rulings.

6.02 Annual Limitation on Salary Deferral Contributions.

(a) In no event shall a Participant's Salary Deferral Contributions made under the Plan, or any other qualified plan maintained by the Participating Employer or an Affiliated Company, during any calendar year exceed the dollar limitation contained in Section 402(g) of the Code in effect at the beginning of such year.

(b) Notwithstanding any other provision of the Plan, Salary Deferral Contributions which exceed the dollar limitation in paragraph (a) for a calendar year, plus any income or minus any loss allocable thereto, shall be distributed to affected Participants no later than April 15 of the following calendar year.

6.03 Limitations on Salary Deferral Contributions Applicable to Highly Compensated Employees.

(a) The Actual Deferral Percentage for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the greater of:

(i) the Actual Deferral Percentage for Participants who are Non-highly Compensated Employees for the Plan Year multiplied by 1.25; or

(ii) the Actual Deferral Percentage for Participants who are Non-highly Compensated Employees for the Plan Year multiplied by 2.0, provided that the Actual Deferral Percentage for Participants who are Highly Compensated Employees does not exceed the Actual Deferral Percentage for Participants who are Non-highly Compensated Employees by more than two (2) percentage points.

(b) The limitation set forth in this Section 6.03 shall be applied after application of the annual dollar limitation set forth in Section 6.02.

(c) **"Actual Deferral Percentage"** means, for a specified group of Participants for a Plan Year, the average of the ratios (calculated separately for each Participant in such group) of (i) the amount of Salary Deferral Contributions actually paid over to the Trust Fund on behalf of such Participant for the Plan Year to (ii) the Participant's Section 415 Compensation for such Plan Year but taking into account only compensation paid after the employee first became a Participant in the Plan. For Plan Years beginning after December 31, 1996, this percentage shall be calculated using the current year testing method.

6.04 Limitations on Employer Matching Contributions Applicable to Highly Compensated Employees.

(a) The Actual Contribution Percentage for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the greater of:

(i) the Actual Contribution Percentage of the Participants who are Non-highly Compensated Employees for the Plan Year multiplied by 1.25; or

(ii) the Actual Contribution Percentage for Participants who are Non-highly Compensated Employees for the Plan Year multiplied by 2.0, provided that the Actual Contribution Percentage for Participants who are Highly Compensated Employees does not exceed the Actual Contribution Percentage for Participants who are Non-highly Compensated Employees by more than two (2) percentage points.

(b) **"Actual Contribution Percentage"** means, for a specified group of Participants for a Plan Year, the average of the ratios (calculated separately for each Participant in such group) of (i) the amount of Employer Matching Contributions and Employer Discretionary Contributions actually paid over to the Trust Fund on behalf of such Participant for the Plan Year to (ii) the Participant's Section 415 Compensation for such Plan Year, but taking into account only compensation paid after the employee first became a Participant. For Plan Years beginning after December 31, 1996, this percentage shall be calculated using the current year testing method.

6.05 Combined Limitations on Salary Deferral Contributions and Employer Matching Contributions.

(a) In no event shall the Actual Deferral Percentage or the Actual Contribution Percentage for Participants who are Highly Compensated Employees for the Plan Year exceed the multiple use limitation set forth in Treasury Regulation Section 1.401(m)-2.

(b) The limitation set forth in this Section 6.05 shall be applied after application of the limitations set forth in Sections 6.03 and 6.04.

6.06 Correction of Excess Salary Deferral Contributions and Excess Employer Matching Contributions.

In the event that any of the limitations set forth in Sections 6.03, 6.04, and 6.05 are exceeded for any Plan Year, the Administrator shall take one or more (either alone or in combination) of the following corrective actions no later than the last day of the following Plan Year:

(a) Notwithstanding any other provision of the Plan, excess Salary Deferral Contributions with respect to a Plan Year, plus any income or minus any loss allocable thereto and to the "gap period" (within the meaning of Treasury Regulation Section 1.401(k)-1(f)(4)(ii)), shall be distributed to Participants on whose behalf such excess contributions were made. The amount of a Participant's excess Salary Deferral Contributions shall be determined in accordance with Section 401(k)(8)(b) of the Code and the regulations thereunder. Such excess shall be distributed beginning with the Highly Compensated Employee with the largest Salary Deferral Contribution percentage amount and continuing in descending order until the excess Salary Deferral Contributions have been distributed.

(b) Notwithstanding any other provision of the Plan, excess Employer Matching Contributions with respect to a Plan Year, plus any income or minus any loss allocable thereto, shall be treated as follows:

(i) To the extent not yet vested, such excess contributions shall be treated as forfeitures with respect to Participants on whose behalf such excess contributions were made. Amounts forfeited pursuant to this Section 6.06(b) shall be applied to reduce employer contributions in accordance with Section 9.05.

(ii) If not forfeitable, such excess contributions shall be distributed to Participants on whose behalf such excess contributions were made.

The amount of a Participant's excess Employer Matching Contributions shall be determined in accordance with Section 401(m)(6)(B) of the Code and the regulations thereunder. Such excess shall be distributed beginning with the Highly Compensated Employee with the largest Employer Matching Contribution percentage amount and continuing in descending order until the excess Employer Matching Contributions have been distributed.

(c) The Participating Employer may make "Qualified Nonelective Contributions" (within the meaning of Treasury Regulation Section 1.401 (k)-1(g)(7)) to the Plan on behalf of Participants who are Non-highly Compensated Employees for such Plan Year. The amount of the Qualified Nonelective Contributions shall be determined at the discretion of the Company on behalf of the group of Non-highly Compensated Participants who were actively employed on the last day of the Plan Year and who were eligible to participate in the Plan for the entire Plan Year. The Qualified Nonelective Contribution will be allocated as follows:

(i) the lowest paid Participant in the group will be allocated an amount equal to the lowest of (1) 25% the Participant's Compensation for the Plan Year; (2) the maximum permissible amount, taking into account the applicable limitations of this Article 6 applicable to the Participant, or (3) the full amount of the Qualified Nonelective Contribution.

(ii) The next lowest paid Participant will be allocated an amount equal to the lowest of (1) 25% of the Participant's Compensation for the Plan Year; (2) the maximum permissible

amount taking into account the applicable limitations of this Article 6 applicable to the Participant; or (3) the balance of the Qualified Nonelective contribution after the above allocation.

(iii) The allocation in step (ii) will be applied individually to each remaining Participant in the group, in ascending order of Compensation, until the Qualified Nonelective Contribution is fully allocated. No further allocation will be made to the remaining Participants in the group.

6.07 Forfeiture of Employer Matching Contributions.

Notwithstanding anything in the Plan to the contrary, Employer Matching Contributions shall be forfeited to the extent that such contributions relate to excess Salary Deferral Contributions made on behalf of a Participant.

6.08 Limitations on Contributions Applicable to All Participants.

(a) In no event shall the Annual Addition to a Participant's Account for any Limitation Year exceed the lesser of:

(i) $30,000 or such other dollar limitation in effect for the Limitation Year under Section 415(c)(l)(A)of the Code, or

(ii) twenty-five percent (25%) of the Participant's Section 415 Compensation for the Limitation Year or such other percentage limitation in effect for the Limitation Year under Section 415(c)(l)(B) of the Code.

(b) If a Participant also is covered under another defined contribution plan, a welfare benefit fund (as defined in Section 419(e) of the Code), or an individual medical account (as defined in Section 415(1)(2) of the Code), maintained by a Section 415 Employer, then the Annual Addition which may be credited to a Participant's Account under paragraph (a) above for any Limitation Year shall be reduced by the Annual Additions credited to the Participant's account under such other plans and welfare benefit funds for the same limitation year.

(c) For Limitation Years beginning prior to January 1, 2000, if a Participant also participates, or has previously participated, in one or more defined benefit plans (as defined in Section 414(j) of the Code) maintained by a Section 415 Employer, then in no event shall the sum of the Participant's Defined Contribution Fraction (as defined in Section 415(e)(3) of the Code) and the Participant's Defined Benefit Fraction (as defined in Section 415(e)(2) of the Code) for such Participant exceed 1.0 in any Limitation Year. If such limitation is exceeded, then Participant's Annual Addition to the Plan shall be reduced to the extent necessary so that such fraction does not exceed 1.0, but only if the defined benefit plan in which the Participant is participating does not permit a reduction of the Participant's benefit thereunder that would reduce such fraction to 1.0.

(d) **"Section 415 Employer"** means, with respect to any Participating Employer, any corporation which is a member of a controlled group of corporations (as defined in Section 414(b) of the Code as modified by Section 415(h)) which includes the Participating Employer; any trade or business (whether or not incorporated) which is under common control (as defined in Section 414(c) of the Code as modified by Section 415(h)) with the Participating Employer; any organization (whether or not incorporated) which is a member of an affiliated service group (as

defined in Section 414(m) of the Code) which includes the Participating Employer; and any other entity required to be aggregated with the Participating Employer pursuant to regulations under Section 414(o) of the Code.

6.09 Reduction of Excess Annual Additions.

In the event that the Annual Addition credited to a Participant's Account exceeds the limitations contained in Section 6.08 in any Limitation Year, then such excess Annual Addition shall be reduced as follows:

(a) First, the amount of the Participant's Employer Discretionary Contributions shall be reduced to the extent that such reduction results in a reduction of the amount by which a Participant's Annual Addition exceeds such limitations.

(b) Second, the amount of the Participant's Employer Matching Contributions shall be reduced to the extent that such reduction results in a reduction of the amount by which a Participant's Annual Addition exceeds such limitations.

(e) Third, the amount of the Participant's Salary Deferral Contributions shall be reduced. Any reduction of Salary Deferral Contributions shall be paid to the Participant as soon as administratively feasible.

(f) Any reduction of Employer Discretionary Contributions and/or Employer Matching Contributions shall be held unallocated in a suspense account and applied to reduce employer contributions in succeeding Plan Years in accordance with Section 9.05.

(g) Notwithstanding anything contained herein or in the Trust Agreement to the contrary, if the Plan is terminated while there remains a balance in any suspense account, such amounts shall be paid to the Participating Employer which contributed said amounts.

6.10 Deduction Limitation Applicable to Employer Contributions.

In no event shall the amount of employer contributions for any Plan Year exceed the amount deductible with respect to such Plan Year under Section 404 of the Code.

ARTICLE 7

PARTICIPANTS' ACCOUNTS

7.01 Separate Accounts.

An Account in the Trust Fund shall be established and maintained for each Participant. The records of each such Account shall reflect the manner in which each Account is invested and the value of such investments, any withdrawals by or distributions to the Participant or other persons, any charges or credits made to such Account, and such other information as the Administrator or the Trustee may deem appropriate.

7.02 Contributions to Accounts.

All contributions made by a Participating Employer on behalf of a Participant shall be paid to the Trustee and shall be allocated to the Participant's Account in accordance with the provisions of the Plan.

7.03 Valuation of Accounts.

The value of each Participant's Account shall be determined as of each Valuation Date, at which time the Administrator shall adjust the balance of each Participant's Account to reflect any of the following which have occurred since the last Valuation Date:

(a) contributions, withdrawals, distributions and other charges or credits attributable to the Participant's Account;

(b) the net earnings, gains, losses and expenses and any appreciation or depreciation in market value of the Investment Funds selected by the Participant for investment of his or her Account; and

(c) with respect to any amounts credited to the Participant's Account which are not invested in any of the Investment Funds, the net increase or decrease, as the case may be, in the value of the Trust Fund due to investment earnings, gains or losses and any expenses of the Trust Fund, which adjustment shall be made in the same proportion that the balance in the Participant's Account as of the last Valuation Date (reduced by any withdrawals, distributions or transfers from such Account since the last Valuation Date and by the principal amount of all outstanding loans to such Participant) bore to the total balance of all Participants' Accounts (as so reduced) as of such last Valuation Date.

7.04 Segregated Accounts.

The Administrator may direct the Trustees to establish a segregated account and to transfer to such segregated account the balance of the Account of any Participant who pursuant to Article 13 has elected to defer distribution.

ARTICLE 8

TRUST FUND AND INVESTMENT OF ACCOUNTS

8.01 Trust Fund and Trustees.

The Company may execute a trust or trusts with a Trustee or Trustees to establish a Trust Fund under the Plan. Any Trust Agreement is designated as, and shall constitute, a part of the Plan and all rights which may accrue to any person under the Plan shall be subject to the terms and conditions of such Trust Agreement. The Company may modify the Trust Agreement from time to time to accomplish the purposes of the Plan.

8.02 Investment Funds.

(a) The Administrator shall select such investment vehicles as it determines appropriate to meet the requirements of Section 404(c) of ERISA and the regulations thereunder relating to the investment of Participants' Accounts at the direction of the Participants. The Administrator may

select such additional investment vehicles as it determines appropriate for the investment of Participants' Accounts, including, but not limited to, Company Stock.

(b) The Administrator may prescribe such rules and restrictions on the investment of Participants' Accounts in any such investment vehicle as it deems appropriate.

(c) In the event that the fees of any investment manager or investment advisor are attributable to a particular investment vehicle, the Administrator may, in its discretion, determine how such expenses shall be allocated among Participants' Accounts.

8.03 Investment Direction.

(a) The Administrator, or its designees, shall provide Participants with such information and materials with respect to the Investment Funds as may be required by Section 404(c) of ERISA.

(b) A Participant's investment direction (or any change in investment direction) shall be made in the manner and in such form as the Administrator shall direct.

(c) A Participant's investment election shall remain in effect until the Participant properly makes a change of election in accordance with the procedures established by the Administrator. In the event that any Participant shall not have directed the investment of all or a portion of the balance in his or her account at any time, the Participant shall be deemed to have directed that such balance be invested in a money market (or equivalent) fund and such assets shall remain in such Investment Fund until such time as the Participant directs otherwise.

(d) A Participant may change his or her investment election with respect to existing investments, new contributions, or both, at such time or times as may be permitted by the Administrator. Such change must be made in writing or in accordance with such other methods as may be established by the Administrator in accordance with the requirements of Section 404(c) of ERISA.

8.04 Limitations on Investment in Company Stock.

(a) Except as provided in this Section 8.04 and in Article 12, the portion of a Participant's Account which in invested in Company Stock shall not be eligible for investment in any other Investment Fund. The investment limitation set forth in this Section 8.04 shall not apply to cash dividends attributable to Company Stock allocated to the Participant's Account.

(b) The Administrator, in its sole discretion, may from time to time adopt rules permitting Participants to elect to invest all or a portion of the Company Stock held in their Accounts in another Investment Fund.

(c) A Participant's Salary Deferral Contribution Account may be invested up to 50 percent (50%) in Company Stock. A Participant may change his investment election with respect to existing investments in Company Stock in any Salary Deferral Contribution Account and Rollover Contribution Account, provided that at the time of such change, the value of the Participant's investment in Company Stock shall not exceed fifty percent (50%) of the total value of the Salary Deferral Contribution Account and Rollover Contribution Account.

8.05 Voting and Tendering of Company Stock.

(a) **Participants' Stockholder Rights.** Each Participant or Beneficiary who has shares of Company Stock allocated to his or her Accounts shall have the right to direct the Designated Fiduciary as to the exercise of voting, tender, and other stockholder rights with respect to such shares.

(b) **Action on Participants' Instructions.** The Designated Fiduciary shall exercise voting, tender, and other stockholder rights in accordance with the instructions received from Participants with respect to Company Stock. For this purpose, the Designated Fiduciary shall combine fractional shares and exercise rights with respect to such shares to the extent possible to reflect the instructions of the Participants.

(c) **Action Where No Timely or Valid Instructions Received.** In the event that a Participant fails to provide timely or valid instructions as to how rights with respect to Company Stock shall be exercised, the Designated Fiduciary shall exercise rights with respect to such shares, as the Designated. Fiduciary, in its sole discretion, determines appropriate and in accordance with its fiduciary obligations under ERISA.

(d) **Treatment of Unallocated Shares.** In the case of Company Stock held by the Trust Fund which are not allocated to Participants' Accounts, the Designated Fiduciary shall exercise rights with respect to such unallocated shares as the Designated Fiduciary, in its sole discretion, determines appropriate and in accordance with its fiduciary obligations under ERISA.

(e) **Confidentiality of Information.** All information and instructions received from Participants or Beneficiaries with respect to the exercise of voting, tender, and other stockholder rights shall be held in the strictest confidence by the Administrator and the Designated Fiduciary, except to the extent necessary to comply with federal laws or state laws not preempted by ERISA.

ARTICLE 9

VESTING AND FORFEITURE

9.01 Salary Deferral Contribution Account and Rollover Contribution Account.

A Participant's interest in his or her Salary Deferral Contribution Account and Rollover Contribution Account, if any, shall be fully vested and nonforfeitable at all times.

9.02 Employer Contribution Account.

(a) Upon a Participant's Total Disability, death or attainment of age 65 while an Employee, the Participant's interest in his or her Employer Contribution Account shall be fully vested and nonforfeitable.

(b) If a Participant's termination of employment occurs before age 65 for any reason other than Total Disability or death, the Participant's vested interest in his or her Employer Contribution Account shall be determined in accordance with the following schedule:

Years of Service	Vested Interest
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

(c) The portion, if any, of a Participant's Account which is attributable to the special contribution allocated effective as of October 1, 1991 shall be fully vested and nonforfeitable on the date on which such Participant completes one Year of Service following the date of the special contribution.

9.03 Forfeiture.

If (a) a Participant terminates employment and receives (or is deemed to receive) a distribution of his or her entire vested account balance, or (b) a Participant incurs five (5) consecutive Breaks in Service, then the nonvested portion of his or her Employer Contribution Account will be treated as a forfeiture. For purposes of this Section 9.03, if the value of a Participant's vested account balance is zero, then such Participant shall be deemed to have received a distribution of his or her entire vested account balance as of the date of his or her termination of employment.

9.04 Restoration of Forfeitures.

(a) In the case of a Participant who received a distribution of his or her entire vested Account balance under the Plan and who again becomes an Eligible Employee, the amount forfeited pursuant to Section 9.03 shall be restored if he or she repays the full amount of the distribution before the earlier of:

(i) five (5) years after the first date on which the Participant is subsequently reemployed; or

(ii) the date the Participant incurs five (5) consecutive Breaks in Service following the date of the distribution.

(b) In the case of a Participant who is deemed to have received a distribution of his or her entire vested interest under the Plan and who again becomes an Eligible Employee, the amount forfeited pursuant to Section 9.03 shall be restored if the Participant again becomes an Eligible Employee before the date on which he or she incurs five (5) consecutive Breaks in Service.

(c) A Participant who is reemployed after the occurrence of five (5) consecutive Breaks in Service shall not have any restoration rights with respect to the previously forfeited balance in his or her Employer Contribution Account.

9.05 Application of Forfeitures.

(a) Forfeitures shall be used, at the discretion of the Administrator, to pay administrative expenses of the Plan or to reduce the amount of Employer Matching Contributions and Employer Discretionary Contributions which are to be made by the Participating Employer for the current or following Plan Year.

(b) If an amount must be restored to a reemployed Participant's Employer Contribution Account in accordance with Section 9.04, such restoration shall be made, as directed by the Participant's

Participating Employer, from forfeitures attributable to, or net income of the Trust Fund which would otherwise be allocated to Participants employed by such Participating Employer, and/or from a contribution made by such Participating Employer for that purpose.

9.06 Change in Vesting Schedule.

If the Plan's vesting schedule is amended, or the Plan is amended in any way that directly or indirectly affects the calculation of a Participant's vested interest in his or her Employer Contribution Account, each Participant with at least three (3) Years of Service may elect to have his or her vested interest calculated under the Plan without regard to such amendment or change. A Participant's election under this Section 9.06 must be made during the period beginning with the date the amendment is adopted or deemed to be made and ending on the latest of:

(a) sixty (60) days after the amendment is adopted;

(b) sixty (60) days after the amendment becomes effective; or

(c) sixty (60) days after the Participant is issued written notice of the amendment by the Company.

9.07 Vesting Upon Termination Following a Change in Control.

(a) Notwithstanding the vesting schedule set forth in Section 9.02 above, in the event that within the two (2) year period following a Change in Control the employment of a Participant who is an Employee of the Company or an Affiliated Company is terminated by the Company or any Affiliated Company for any reason other than Cause, his or her interest in the Employer Contribution Account shall be fully vested and nonforfeitable.

(b) For purposes of this Section 9.07, a Change in Control shall be deemed to occur upon the occurrence of one the events described in Appendix A.

(c) For purposes of this Section 9.07, an Employee shall be terminated for Cause if he or she is terminated by the Company or an Affiliated Company because he or she (a) intentionally and continually failed to perform reasonably assigned duties, (b) willfully engaged in misconduct which is demonstrably and materially injurious to the Company, monetarily or otherwise, (c) engaged in a transaction in connection with the performance of his or her duties to the Company for personal profit to himself or herself, or (d) willfully violated any law, rule or regulation in connection with the performance of his or her duties (other than traffic violations or similar offenses). Failure of a Participant to perform the Participant's duties during any period of disability shall not constitute Cause.

ARTICLE 10

LOANS TO PARTICIPANTS

10.01 General

All Participants who are Eligible Employees shall be eligible to receive loans from their Salary Deferral Contribution Account, Rollover Contribution Account and Employer Contribution Account under the Plan. The Managing Director, Human Resources of the Company shall prescribe the terms and

conditions for making loans to Participants from their Accounts consistent with the provisions of this Article 10, the prohibited transaction exemption requirements of the Code and ERISA, and other applicable law and Appendix B.

10.02 Maximum Loan Amount.

In no event shall any loan made pursuant to this Article 10 be in an amount which would cause the outstanding aggregate balance of all loans made to the Participant under the Plan and all other qualified plans maintained by the Company or any Affiliated Company to exceed the lesser of (a) or (b):

(a) $50,000 reduced by the excess (if any) of

(i) the highest outstanding balance of loans from the Plan to the Participant during the one-year period ending on the day before the date the loan is made, over

(ii) the outstanding balance of loans from the Plan to the Participant on the date the loan is made; or

(b) 50% of the current balance of the vested portion of the Participant's Salary Deferral Contribution Account, Rollover Contribution Account and Employer Contribution Account balance, determined as of the date on which the loan is approved.

10.03 Loan Terms.

Loans shall be made to Participants in accordance with the following terms:

(a) A loan to a Participant shall be evidenced by the Participant's recourse promissory note in the form prescribed by the Managing Director, Human Resources of the Company.

(b) The period for repayment of a loan shall not exceed five (5) years; provided, however, that a loan used to acquire a dwelling unit which within a reasonable time is to be used (determined at the time the loan is made) as the Participant's principal residence may be repaid over a period of up to fifteen (15) years.

(c) Interest shall be charged on the loan at a reasonable rate to be determined by the Managing Director, Human Resources of the Company at the time the loan is made.

(d) Loan repayments on principal and interest shall be amortized in level payments over payment periods to be determined by the Managing Director, Human Resources of the Company in his or her discretion, but not less frequently than quarterly, over the term of the loan.

10.04 Collateral.

Notwithstanding anything to the contrary in Section .19.03, a Participant who accepts a Plan loan shall be deemed to have assigned to the Trustee, as security for the loan, fifty percent (50%) of the sum of his or her Salary Deferral Contribution Account, Rollover Contribution Account and Employer Contribution Account, to the extent vested as of the date of the loan. The Administrator may require such additional security for the loan as it deems necessary or prudent.

10.05 Treatment of Loan Payments.

A loan payment shall be considered to be a return on an investment of the Trust Fund. Any payment to the Plan of interest on a loan to a Participant, as well as repayments of loan principal, shall be credited to the Participant's Account and shall be accounted for as investment earnings or return of principal, as the case may be, on that Account.

10.06 Default.

(a) If not paid as and when due, in addition to any other remedies permitted by law, any outstanding Plan loan (including interest accrued and unpaid thereon) to a Participant may be charged pro rata against the Participant's Salary Deferral Contribution Account, Rollover Contribution Account and Employer Contribution Account. The outstanding loan balance shall be treated as repaid to the extent of such charge.

(b) Except as otherwise provided in paragraph (c) below, the Managing Director, Human Resources of the Company may elect to charge the unpaid loan balance against the Participant's Account other than the ESOP Account whether or not the Participant has attained age 59-1/2 or terminated employment, and whether or not such charge is on account of any financial hardship of the Participant.

(c) The Managing Director, Human Resources of the Company may not charge any unpaid loan balance against a Participant's Salary Deferral Contribution Account unless the Participant has attained age 59-1/2, has terminated employment, or qualifies for a financial hardship withdrawal in accordance with Sections 11.01 and 11.03.

10.07 Suspension for Military Leave

Effective for loans made on or after January 1, 2002, loan repayments will be suspended under this Plan as permitted under Section 414(u)(4) of the Code.

ARTICLE 11

WITHDRAWALS DURING SERVICE

11.01 Financial Hardship.

Upon evidence of "hardship" satisfactory to the Administrator, a Participant may, in the form and manner prescribed by the Administrator, withdraw in cash that part of the balance in his or her Salary Deferral Contribution Account (but excluding any income allocable to Salary Deferral Contributions) which the Administrator determines is needed by the Participant on account of such hardship. For this purpose, "hardship" shall mean immediate and heavy financial need of the Participant that cannot be met by other reasonably available financial resources of the Participant.

The Administrator's determination as to whether a hardship exists and the amount necessary to be distributed in the event of such hardship shall be made in accordance with the following rules:

(a) The determination of whether an immediate and heavy financial need exists shall be based on all relevant facts and circumstances. As determined in the Administrator's discretion (which shall

be exercised in a uniform and nondiscriminatory manner), such financial need may include, but is not limited to:

(i) medical care expenses (as described in Section 213(d) of the Code) previously incurred by the Participant, the Participant's spouse or dependents (as defined in Section 152 of the Code), or expenses necessary to obtain medical care;

(ii) costs directly related to the purchase (excluding mortgage payments) of a principal residence for the Participant;

(iii) funeral expenses for a member of the Participant's immediate family;

(iv) payment of tuition, related educational fees, and room and board expenses for the next 12 months of post-secondary education for the Participant, the Participant's spouse, children, or dependents (as defined in Section 152 of the Code); or

(v) payments necessary to prevent the eviction of the Participant from his or her principal residence or foreclosure on the mortgage of the Participant's principal residence.

(b) The Administrator shall not permit a hardship withdrawal to be made unless it determines, based upon all relevant facts and circumstances, that the amount to be distributed is not in excess of the amount required to relieve the financial need and that such need cannot be satisfied from other resources reasonably available to the Participant. For this purpose, the Participant's resources shall be deemed to include those assets of the Participant's spouse and minor children that are reasonably available to the Participant. A distribution may be treated as necessary to satisfy a financial need if the Administrator relies upon the Participant's written representations, unless the Employer has actual knowledge to the contrary, that the need cannot be relieved:

(i) through reimbursement or compensation by insurance or otherwise;

(ii) by reasonable liquidation of the Participant's assets, to the extent such liquidation would not itself cause an immediate and heavy financial need;

(iii) by cessation of elective deferrals and voluntary contributions under the Plan; or

(iv) by other distributions or loans from the Plan or any other qualified retirement plan, or by borrowing from commercial sources on reasonable commercial terms.

(c) Notwithstanding paragraph (b), the Administrator may permit a hardship withdrawal to be made if it determines that all of the following conditions are satisfied:

(i) the distribution is not in excess of the amount necessary to satisfy the immediate and heavy financial need of the Participant (including any amounts necessary to pay any federal, state, or local income taxes or penalties which may result from the distribution);

(ii) the Participant has obtained all distributions, other than hardship distributions, and all nontaxable loans currently available under all plans maintained by the Company or any Affiliated Company;

(iii) the Participant's Salary Deferral Contributions under the Plan, and the Participant's elective deferrals and voluntary employee contributions under all other plans maintained by the Company or any Affiliated Company, are suspended for a period of 12 months after receipt of the hardship distribution; and

(iv) the Participant may not make Salary Deferral Contributions under the Plan, or elective deferrals under all other plans maintained by the Company or an Affiliated Company, for the Participant's taxable year immediately following the taxable year of the hardship distribution, in excess of:

(A) the applicable limit under Section 402(g) of the Code for such next taxable year; reduced by

(B) the amount of such Participant's elective deferrals for the taxable year of the hardship distribution.

11.02 Withdrawals After Age 59-1/2.

A Participant who has attained age 59-1/2 and who is 100% vested in his or her Employer Contribution Account may, in the form and manner prescribed by the Administrator, direct payment to himself in cash of part or all of the balance of the Participant's Employer Contribution Account.

11.03 General Rules Applying to Withdrawals.

The following rules shall apply to withdrawals made under this Article 11:

(a) Notwithstanding any other provisions of this Article 11, no payment shall be made to a Participant to whom a loan is outstanding under this Article 11 if such payment would cause the balance of the Participant's Account to be less than 250% of the unpaid principal of the loan unless the Administrator determines, in its sole discretion, that a lower balance is permissible in the case of a hardship withdrawal.

(b) Distribution of any withdrawal under this Article 11 shall be made as soon as practicable following the Valuation Date selected by the Administrator for effecting such payment, unless the Administrator, in its sole discretion, elects to make payment earlier.

(c) A Participant may not make a withdrawal from his or her Account more often than once in any twelve (12) month period or at such other times as may be permitted pursuant to uniform rules prescribed by the Administrator.

(d) A Participant or a designated Beneficiary who is the Participant's spouse may elect to have all or any portion of the amount withdrawn pursuant to this Article 11 which is eligible for rollover distribution under Section 402(c) of the Code transferred directly to an eligible retirement plan (as defined in Section 401(a)(31) of the Code).

ARTICLE 12

ESOP ACCOUNT DIVERSIFICATION

12.01 General.

(a) Each Participant who

(i) is a Qualified Participant, and

(ii) has Company Stock credited to his or her ESOP Account with a fair market value of more than $500 as of the Valuation Date immediately preceding the date on which he or she first becomes a Qualified Participant,

shall be entitled to have shares of Company Stock credited to his or her ESOP Account distributed or invested in accordance with the requirements of this Article 12 during the Diversification Election Period.

(b) **"Diversification Election Period"** means the 6-Plan-Year period beginning with the Plan Year in which a Participant first becomes a Qualified Participant.

(c) **"Qualified Participant"** means a Participant (i) who has an ESOP Account and (ii) who has attained age 55 and completed 10 years of participation in the Plan and the Countrywide Credit Industries, Inc. Profit Sharing Stock Ownership Plan.

12.02 Diversification of ESOP Account.

(a) A Qualified Participant may elect to have shares of Company Stock subject to the diversification requirements of this Article 12 distributed or invested in accordance with this Section 12.02 during the 90-day period following the last day of each Plan Year during the Diversification Election Period.

(b) The maximum number of shares of Company Stock which a Qualified Participant may elect to have distributed or invested for any year during the Diversification Election Period shall be equal to (i) reduced by (ii) below:

(i) 25 percent (25%), or with respect to the last year of the Diversified Election Period, 50 percent (50%), of the sum of

(A) the total number of shares allocated to the Participant's ESOP Account as of the close of the Plan Year, plus

(B) the number of shares previously distributed or invested pursuant to this Article 12; reduced by

(ii) the number of shares previously distributed or invested pursuant to this Article 12.

(c) A Qualified Participant may elect to have shares subject to the diversification requirements of this Article 12 distributed or invested as follows:

(d) The Participant may elect to have the shares distributed in a single lump sum distribution;

(i) The Participant may elect to have all or any portion of the shares (provided that such shares have an aggregate fair market value of $500) which are eligible for rollover distribution under Section 402(c) of the Code transferred directly to an eligible retirement plan (as defined in Section 401(a)(31) of the Code); or

(ii) The Participant may elect to have the shares reinvested in any of the Investment Funds in accordance with Section 8.03.

(e) Distribution or investment of the shares shall be made within 90 days after the close of the Participant's 90-day election period.

ARTICLE 13

DISTRIBUTIONS AFTER TERMINATION OF EMPLOYMENT

13.01 Termination of Employment Prior to Age 65.

In the event a Participant terminates employment with the Company or an Affiliated Company prior to attaining age 65 for any reason other than death, the Participant shall be entitled to receive a distribution of the vested balance in his or her Account as of any Valuation Date following termination of employment.

(a) Effective March 1, 1999, if the vested balance of the Participant's Account does not exceed $5,000 ($3,500 prior to March 1, 1999), or, for distributions after March 21, 1999, exceeds $5,000 at the time the Participant terminates employment and at a later time is reduced to an amount not greater than $5,000, distribution shall be made as soon as practicable following the earlier of:

(i) the date on which the Administrator receives a properly completed distribution election form; or

(ii) the expiration of the 90-day period beginning on the date on which the Administrator provides the notice required by Section 402(f) of the Code and Treasury Regulation Section 1.411(a)-11(c) to the Participant.

(b) If the vested balance of a Participant's Account exceeds $5,000, no distribution will be made without the Participant's prior written consent. If such consent is not given, distribution shall be made as soon as practicable following the earlier of:

(i) the date on which the Administrator receives a properly completed distribution election form; or

(ii) (A) the earliest practicable date following the Valuation Date following the Participant's termination of employment or (B) the earliest practicable date following the Valuation Date next following his or her 65th birthday, if later, at which time the Participant's nonforfeitable interest shall be automatically paid to him or her.

13.02 Termination of Employment At or After Age 65.

In the event a Participant terminates employment with the Company or an Affiliated Company at or after attaining age 65, the Participant shall be entitled to receive a distribution of the balance in his or her Account as of any Valuation Date following termination of employment. Distribution shall be made as soon as practicable following the earlier of:

(a) the date on which the Administrator receives a properly completed distribution election form; or

(b) the expiration of the 90-day period beginning on the date on which the Administrator provides the notices required by Section 402(f) of the Code and Treasury Regulation Section 1.411(a)-11(c) to the Participant.

The Participant's benefit commencement date shall be no later than the 60th day following the close of the Plan Year in which the Participant attained age 65 or has a termination of employment, whichever occurs last. In no event, however, shall a Participant's benefit commencement date be later than the Required Beginning Date.

13.03 Death.

(a) In the event a Participant dies before payment of his or her Account begins, the Participant's designated Beneficiary or estate shall be entitled to receive distribution of the Account as of the Valuation Date coincident with or next following the Participant's death. Distribution shall be made as soon as practicable following the earlier of:

(i) the date on which the Administrator receives a properly completed distribution election form; or

(ii) the expiration of the 90-day period beginning on the date on which the Administrator provides the notices required by Section 402(f) of the Code and Treasury Regulation Section 1.411(a)-11(c) to the designated Beneficiary.

(b) Notwithstanding paragraph (a), in no event shall distribution of the Account begin later than:

(i) if (A) the designated Beneficiary is the Participant's spouse and (B) the balance of the Participant's Account exceeds $5,000, the date on which the Participant would have attained the Required Beginning Date; or

(ii) in any other case, one year after the Participant's death.

13.04 Beneficiary Designation.

(a) Each Participant may designate, in the form and manner prescribed by the Administrator, one or more persons as the Beneficiary of the Participant's Account; provided, however, that if the Participant is survived by a spouse, such spouse shall be the Participant's sole Beneficiary unless the spouse consents, in writing, to the Participant's designation of one or more other persons to be the Beneficiary of all or a portion of the Participant's Account. Any Beneficiary designation made by a Participant may be changed or revoked by the Participant at any time or from time to time during the Participant's lifetime; provided, however, that any such change or revocation shall not reduce the portion of the Account payable to the Participant's spouse without the written

consent of the spouse. Any written consent required of a Participant's spouse shall acknowledge the effect of the consent and shall be witnessed by a representative of the Plan or a notary public. The consent of a spouse shall not be required if the Administrator determines that the spouse cannot be located or that the Code and ERISA otherwise do not require such consent.

(b) If no Beneficiary is designated or survives the Participant, the balance of the Participant's Account shall be paid to the Participant's spouse, if living; otherwise, to the Participant's estate.

(c) No designation, revocation, or change of beneficiaries shall be valid and effective unless and until filed with the Administrator.

(d) Upon the receipt of written proof of the dissolution of marriage of a Participant, any earlier designation of the Participant's former spouse as a Beneficiary shall be treated as though the Participant's former spouse had predeceased the Participant, unless, prior to payment of benefits on behalf of the Participant:

(i) the Participant executes and delivers another Beneficiary designation that complies with the Plan and that clearly names such former spouse as a Beneficiary; or

(ii) there is delivered to the Plan a qualified domestic relations order in accordance with Section 414(p) of the Code providing that the former spouse is to be treated as the Beneficiary.

In any case in which the Participant's former spouse is treated under the Participant's Beneficiary designation as having predeceased the Participant, no heirs or other beneficiaries of the former spouse shall receive benefits from the Plan as a Beneficiary of the Participant except as provided otherwise in the Participant's Beneficiary designation.

(e) If a Participant has designated no beneficiary under this Section 13.04, if the Participant's beneficiary(ies) predecease the Participant, or if the beneficiary(ies) cannot be located by the Administrator, the interest of the deceased Participant shall be paid to the Participant's estate.

13.05 Form of Payment.

(a) A Participant's Account shall be distributed to the Participant or the Participant's Beneficiary in a single lump sum payment.

(b) The portion of a Participant's Account which is invested in the Investment Funds shall be distributed in cash. The portion of a Participant's Account which is invested in Company Stock shall be distributed at the election of the Participant or Beneficiary in the form of (i) cash or (ii) whole shares of Company Stock which are attributable to such Account as of the applicable Valuation Date on the date of distribution and the value of any fractional share shall be distributed in cash.

13.06 Direct Transfer of Eligible Rollover Distribution.

Effective for distributions made after December 31,1992, a Participant or a designated Beneficiary who is the Participant's spouse may elect to have all or any portion of his or her Account which is eligible for rollover distribution under Section 402(c) of the Code transferred directly to an eligible retirement plan (as defined in Section 401(a)(31) of the Code).

13.07 Mandatory Distribution.

(a) Notwithstanding any other Plan provision, benefit payments to a Participant shall commence no later than the Participant's Required Beginning Date.

(b) After-Tax Contributions may be distributed at any time.

ARTICLE 14

ADMINISTRATION

14.01 Administrator.

The Company shall be the "Administrator" of the Plan within the meaning of Section 3(16)(A) of ERISA and a "Named Fiduciary" for purposes of Section 402(a)(2) of ERISA. The Investment Committee of Employee Benefit Plans is delegated responsibility for the selection of Investment Funds and monitoring performance of the Investment Funds and is a "Named Fiduciary" for purposes of Section 402(a)(2) of ERISA. The Managing Director, Human Resources of the Company is delegated authority and discretion regarding Participant Loans. Such duties shall be performed on behalf of the Company by such persons or committee as may be appointed by the Board of Directors.

14.02 Administrator's Authority and Powers.

In addition to the duties and powers described elsewhere hereunder, the Administrator shall have the following specific duties and powers:

(a) The Administrator shall have full authority and power to administer and construe the Plan, subject to applicable requirements of law. Without limiting the generality of the foregoing, the Administrator shall have the following powers and duties:

(i) To require any person to furnish such information as it may request for the purpose of the proper administration of the Plan as a condition to receiving benefits under the Plan;

(ii) To make and enforce such rules and regulations, which shall be uniform and nondiscriminatory, and to prescribe such forms, as it deems necessary or proper for the efficient administration of the Plan;

(iii) To construe and interpret the Plan, to resolve ambiguities, and inconsistencies and to supply omissions with respect to the Plan provisions, which determinations shall be final and conclusive on all persons claiming benefits under the Plan;

(iv) To decide all questions concerning the Plan, including the eligibility of any person to participate in the Plan and the status and rights of any Participant or Beneficiary under the Plan;

(v) To determine the amount of benefits which shall be payable to any person in accordance with the provisions of the Plan;

(vi) To retain such consultants, accountants and attorneys as may be deemed necessary or desirable to render statements, reports, and advice with respect to the Plan and to assist the Administrator in complying with all applicable rules and regulations affecting the Plan; any consultants, accountants and attorneys may be the same as those retained by the Plan; and

(vii) To exercise all other powers specified in the Plan.

(b) The Administrator may adopt such rules for the conduct of its affairs as it deems appropriate.

(c) Any decisions and determinations made by the Administrator pursuant to its duties and powers described in the Plan shall be conclusive and binding upon all parties. The Administrator shall have sole discretion in carrying out its responsibilities.

14.03 Delegation of Duties.

The Administrator may delegate such of its duties and may appoint such accountants, actuaries, legal counsel, investment advisors, investment managers, claims administrators, specialists and other persons as the Administrator deems appropriate in connection with administering the Plan. The Administrator shall be entitled to rely conclusively upon, and shall be fully protected in any action taken by the Administrator in good faith in reliance upon any opinions or reports furnished to the Administrator by any such experts or other persons. To the extent of any such delegation, the delegate shall have the duties, powers, authority and discretion of the Administrator.

14.04 Fiduciary Responsibilities With Respect to Company Stock.

The Company shall appoint a person to act as the Designated Fiduciary with respect to all matters affecting Participants' rights with respect to Company Stock as described in Section 8.05. Such fiduciary shall have full authority and power to take any such actions as it deems necessary or appropriate to ensure that such rights are enforced.

14.05 Charges on Participants' Accounts.

To the extent permitted under ERISA, the Administrator may, in its discretion, charge Participants' Accounts for the reasonable expenses of administering the plan; including the expenses associated with providing a loan from a Participant's Account but excluding processing fees for qualified domestic relation orders in accordance with Section 414(p) of the Code.

14.06 Expenses.

All expenses incurred in connection with the administration of the Plan, including, without limitation, administrative expenses and compensation and other expenses and charges of any person who shall be employed by the Administrator pursuant to Section 14.03, excluding settlor expenses, shall be paid from the Trust Fund unless paid separately by the Participating Employers.

14.07 Compensation.

No person or member of a committee serving as the Administrator who is a full-time employee of a Participating Employer shall receive any compensation for services as member of the Administrator.

Any expenses of the Administrator shall be paid from the Trust Fund, unless paid by the Participating Employee.

14.08 Exercise of Discretion.

Any person with any discretionary power in the administration of the Plan shall exercise such discretion in a nondiscriminatory manner.

14.09 Fiduciary Liability.

In administering the Plan, neither the Administrator nor any person or member of a committee serving as the Administrator nor any person to whom the Administrator delegates any duty or power in connection with administering the Plan shall be liable, except in the case of his or her own willful misconduct, for:

(a) any action or failure to act,

(b) the payment of any amount under the Plan,

(c) any mistake of judgment made by him or her or on his or her behalf, or

(d) any omission or wrongdoing of any member of the Administrator. No member of the Administrator shall be personally liable under any contract, agreement, bond, or other instrument made or executed by him or her or on his or her behalf as a member of the Administrator.

14.10 Indemnification by Participating Employers.

To the extent not compensated by insurance or otherwise, the Participating Employers shall indemnify and hold harmless each person and each member of a committee serving as the Administrator, and each employee of a Participating Employer designated by the Administrator to carry out fiduciary responsibility with respect to the Plan from any and all claims, losses, damages, expenses (including counsel fees approved by the Company) and liabilities (including any amount paid in settlement with the approval of the Company), arising from any act or omission of such member, except where the same is judicially determined to be due to willful misconduct of such member or employee. Anything herein to the contrary notwithstanding, no assets of the Plan may be used for any such indemnification.

14.11 Plan Participation by Fiduciaries.

No person who is a fiduciary with respect to the Plan shall be precluded from being a Participant therein upon satisfying the requirements for eligibility.

14.12 Missing Persons.

In the event that the Administrator is unable to locate a Participant or Beneficiary within five (5) years after an Account becomes payable, the Administrator shall take the following actions:

(a) mail notice by registered mail, return receipt requested, to the last known address;

(b) if no reply to notice is received within sixty (60) days, the Administrator shall take such further diligent effort to ascertain the whereabouts of such Participant or Beneficiary as the Administrator deems appropriate under ERISA; and

(c) if such effort is unsuccessful, the Administrator shall invest the balance of the Participant's Account in an interest bearing savings account held by the Trustee. The savings account shall be registered in the name of the person entitled to the distribution. The establishment of the savings account shall be deemed full payment of any amounts due from the Plan.

14.13 Claims Procedure.

All claims for benefits under the Plan by a Participant or the Participant's Beneficiary with respect to benefits not received by such person shall be made in writing to the Administrator, which shall review such claims. If the Administrator believes that a claim should be wholly or partially denied, it shall notify the claimant of the denial in written or electronic form within ninety (90) days after its receipt of the claim unless the Administrator determines that special circumstances exist for an extension of time for processing beyond ninety (90) days. The Administrator shall provide notice to the claimant within the initial ninety (90) day period which shall state the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefit determination. Notice of an adverse determination shall:

(a) set forth the specific reason or reasons for the adverse determination, making reference to the pertinent provisions of the Plan or the Plan documents on which the determination is based;

(b) describe any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary;

(c) describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review; and

(d) inform the person making the claim of his or her right pursuant to this Section 14.13 to appeal the decision by the Administrator.

Any such person may appeal an adverse claim determination to the Administrator by submitting a written request for review to the Administrator within sixty (60) days after the date on which such denial is received. Such period may be extended by the Administrator for good cause The person making the request for review

(a) upon request and free of charge, shall be given reasonable access to, and copies of, all documents, records and other information relevant (as determined under Labor Regulation 2560.503-1(m)(8)) to the claimant's claim for benefits; and

(e) may include within the appeal written comments, documents, records and other information relevant to the claim.

The Administrator shall:

(a) provide for a review that takes into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination; and

(b) decide whether or not to grant the claim within sixty (60) days after receipt of the request for review, but this period may be extended by the Administrator for up to an additional sixty (60)

days in special circumstances. If such an extension of time for review is required because of special circumstances, written notice of the extension shall be furnished to the claimant within the initial sixty (60) day period and shall indicate the special circumstances requiring an extension of time and the date by which the Administrator expects to render the determination on review.

The Administrator's decision shall be in writing or in electronic form and shall include:

(a) the specific reason or reasons for the adverse determination;

(b) reference to the specific plan provisions on which the benefit determination is based; and

(f) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant (as determined under Labor Regulation 2560.503-1(m)(8)) to the claimant's claim for benefits and shall refer to pertinent provisions of the Plan or of the Plan documents on which the decision is based.

ARTICLE 15

AMENDMENT AND TERMINATION OF PLAN

15.01 Amendment.

The Company may at any time and from time to time amend the Plan by action of the Board of Directors without the consent of any Trustee, any other Participating Employer, or any Participant or Beneficiary, Such amendment may be adopted by resolution, by such other action permitted by the Company's charter or by-laws, or by such other method permitted by the laws of the state of the Company's incorporation.

Notwithstanding the foregoing:

(a) no amendment that materially affects the Trustee's duties shall be effective without the written consent of the Trustee;

(b) no amendment shall cause the Trust Fund to be used other than for the exclusive benefit of Participants and their Beneficiaries; and

(c) no amendment may reduce or eliminate any benefit which is a "Section 411(d)(6) Protected Benefit" except as permitted under applicable Treasury Regulations.

15.02 Right to Terminate Plan.

The Company intends to maintain the Plan as a permanent tax-qualified retirement plan. Nevertheless, the Company reserves the right to terminate the Plan (in whole or in part) at any time, by action of the Board of Directors, without the consent of any Trustee, any other Participating Employer, or any Participant or Beneficiary. Such termination may be adopted by resolution, by such other action permitted by the Company's charter or by-laws, or by such other method permitted by the laws of the state of the Company's incorporation.

15.03 Consequences of Termination.

(a) If the Plan is terminated in whole or in part, the interest of each Participant affected by the termination in his or her Account will become fully vested and nonforfeitable as of the date of the termination.

(b) If the Plan is terminated in whole or in part, the Administrator shall determine the date and manner of distribution of all Participants' Accounts.

(c) The Administrator shall give prompt notice to each Participant (or, if deceased, the Participant's Beneficiary) affected by the Plan's complete or partial termination.

ARTICLE 16

PARTICIPATING EMPLOYERS

16.01 Adoption by Other Employers.

Any Affiliated Company may adopt the Plan and join in the Trust Fund created hereunder and become a Participating Employer with respect to the participation in the Plan by Eligible Employees of such Affiliated Company. All contributions made by Participating Employers, and the income therefrom, shall be held by the Trustees as a part of a single Trust Fund without allocation among the Participating Employers until the Administrator shall notify the Trustees of the termination of the Plan as to any Participating Employer pursuant to Section 16.03(c).

16.02 Delegation of Powers and Authority.

A Participating Employer shall be deemed to appoint the Board of Directors and the Administrator as its exclusive agent to exercise on its behalf all of the powers and authority conferred upon the Board of Directors and the Administrator by the terms of the Plan, including, but not by way of limitation, the power to amend and terminate the Plan and the Trust Fund created hereunder. The authority of the Board of Directors and the Administrator to act as such agent shall continue with respect to all funds contributed by each Participating Employer and the income therefrom unless and until the amount of such funds and income has been distributed by the Trustees as provided in Section 16.03.

16.03 Termination of Participation.

(a) The Administrator shall notify the Trustees in writing of the termination of the Plan as to any Participating Employer, and the Trustees shall not accept any further contributions under the Plan from such Participating Employer and shall set aside in a separate account such part of the Trust Fund as the Administrator shall, pursuant to paragraph (b), determine to be held for the benefit of Eligible Employees of the Participating Employer (and their Beneficiaries), as of the last day of the Plan Year which is such Participating Employer's termination date under the Plan.

(b) The Administrator shall give written directions to the Trustees with respect to the part of the assets of the Trust Fund segregated in a separate account pursuant to paragraph (a). Such directions shall specify the amount to be segregated and shall be in accordance with generally accepted accounting principles, and, to the maximum extent consistent with ERISA, the determination of the fair market value of the assets of the Trust Fund in the manner provided for

in the Plan shall be conclusive for the purpose of such segregation. The Trustees shall follow such directions of the Administrator which shall constitute a conclusive determination of the amount which should be segregated for the benefit of the Eligible Employees of such Participating Employer (and their Beneficiaries).

(c) The Trust Fund shall continue as to any Participating Employer, despite receipt by the Trustees of notice of termination of the Plan as to such Participating Employer, for such time as may be necessary to effect such termination. Upon receipt by the Trustees from the Administrator of notice to terminate the Trust Fund as to such Participating Employer, the Trustees shall, with reasonable promptness after receipt of such notice, arrange for the orderly distribution, in accordance with written instructions of the Administrator which shall be given in conformity with the provisions of the Plan and ERISA, of the assets segregated with respect to such Participating Employer pursuant to this Article 16.

ARTICLE 17

TOP-HEAVY PLAN PROVISIONS

17.01 Applicability.

If the Plan is or becomes a Top-Heavy Plan in any Plan Year, the provisions of this Article 17 shall supersede any conflicting provisions of the Plan.

17.02 Definitions.

The following definitions shall apply for purposes of this Article 17:

(a) **"Determination Date"** means (i) the last day of the preceding Plan Year, or (ii) in the case of the first Plan Year, the last day of such Plan Year.

(b) **"Key Employee"** means any Employee or former Employee who is a Key Employee within the meaning of Section 416(i)(l) of the Code and the regulations thereunder.

(c) **"Permissive Aggregation Group"** means the Required Aggregation Group of plans plus any other plan or plans of the Company or any Affiliated Company which, when considered as a group with the Required Aggregation Group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code.

(d) **"Required Aggregation Group"** means (i) each qualified plan of the Company or any Affiliated Company in which at least one Key Employee participates or participated at any time during the determination period (regardless of whether the plan has terminated), and (ii) any other qualified plan of the Company or any Affiliated Company which enables a plan described in clause (i) to meet the requirements of Section 401(a)(4) or 410 of the Code.

(e) **"Super Top-Heavy Plan"** means a Top-Heavy Plan with respect to which the Top-Heavy Ratio exceeds 90 percent (90%).

(f) **"Top-Heavy Plan"** means, with respect to any Plan Year, the Plan if any of the following conditions exist:

(i) The Top-Heavy Ratio for the Plan exceeds 60 percent (60%) and the Plan is not part of any Required Aggregation Group or Permissive Aggregation Group of plans;

(ii) The Plan is a part of a Required Aggregation Group of plans but not part of a Permissive Aggregation Group and the Top-Heavy Ratio for the group of plans exceeds 60 percent (60%); or

(iii) The Plan is a part of a Required Aggregation Group and part of a Permissive Aggregation Group of plans and the Top-Heavy Ratio for the Permissive Aggregation Group exceeds 60 percent (60%).

(g) **"Top-Heavy Ratio"** means as follows:

(i) If the Company or any Affiliated Company maintains one or more defined contribution plans (including any Simplified Employee Pension Plan) and the Company or any Affiliated Company has not maintained any defined benefit plan which during the five (5) year period ending on the Determination Date(s) has or has had accrued benefits, the Top-Heavy Ratio for the Plan alone or for the Required or Permissive Aggregation Group as appropriate is a fraction, the numerator of which is the sum of the account balances of all Key Employees as of the Determination Date(s) (including any part of any account balance distributed in the five (5) year period ending on the Determination Date(s), and the denominator of which is the sum of all account balances (including any part of any account distributed in the five (5) year period ending on the Determination Date(s), both computed in accordance with Section 416 of the Code and the regulations thereunder. Both the numerator and denominator of the Top-Heavy Ratio are increased to reflect any contribution not actually made as of the Determination Date, but which is required to be taken into account on that date under Section 416 of the Code and the regulations thereunder.

(ii) If the Company or any Affiliated Company maintains one or more defined contribution plans (including any Simplified Employee Pension Plan) and the Company or any Affiliated Company maintains or has maintained one or more defined benefit plans which during the five (5) year period ending on the Determination Date(s) has or has had any accrued benefits, the Top-Heavy Ratio for any Required or Permissive Aggregation Group as appropriate is a fraction, the numerator of which is the sum of account balances under the aggregated defined contribution plan or plans for all Key Employees, determined in accordance with clause (i) above, and the present value of accrued benefit under the aggregated defined benefit plan or plans for all Key Employees as of the Determination Date(s), and the denominator of which is the sum of the account balances under the aggregated defined contribution plan or plans for all participants, determined in accordance with clause (i) above, and the present value of accrued benefits under the defined benefit plan or plans for all participants as of the Determination Date(s), all determined in accordance with Section 416 of the Code and the regulations thereunder. The accrued benefits under a defined benefit plan in both the numerator and denominator of the Top-Heavy Ratio are increased for any distribution of any accrued benefit made in the five-year period ending on the Determination Date.

(iii) For purposes of clauses (i) and (ii) above, the value of account balances and the present, value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the twelve (12) month period ending on the Determination Date,

except as provided in Section 416 of the Code and the regulations thereunder for the first and second plan years of a defined benefit plan. The account balances and accrued benefits of a Participant (A) who is not a Key Employee but who was a Key Employee in a prior year, or (B) who has not been credited with at least one Hour of Service with the Company or any Affiliated Company maintaining the Plan at any time during the five (5) year period ending on the Determination Date will be disregarded. The calculation of the Top-Heavy Ratio, and the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Section 416 of the Code and the regulations thereunder. Deductible employee contributions will not be taken into account for purposes of computing the top-heavy ratio. When aggregating plans the value of account balances and accrued benefits will be calculated with reference to the Determination Dates that fall within the same calendar year.

The accrued benefits of a participant other than a Key Employee shall be determined under (A) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Company or any Affiliated Company, or (b) if there is no such method, as if such benefits accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of Section 411(b)(l)(C) of the Code.

17.03 Minimum Contribution.

(a) If a Participant is a non-Key Employee on the last day of a Plan Year in which the Plan is a Top-Heavy Plan Plan, and is not a participant in any other plan maintained by an Company or any Affiliated Company that provides the Participant with such a minimum contribution or with a comparable minimum accrual, the total of the Company or any Affiliated Company contribution allocated to such Participant's Account for such Plan Year in which the Plan is a Top-Heavy Plan shall not be less than three percent (3%) of the Participant's Compensation for the Plan Year in which the Plan is a Top-Heavy Plan. If the Company or any Affiliated Company has no defined benefit plan which designates the Plan to satisfy Section 401(a)(4) or 410 of the Code and the highest percentage obtained by dividing the sum of the Company or any Affiliated Company contribution made for the benefit of each Key Employee by the Key Employee's Compensation for such Plan Year is less than three percent (3%), such highest percentage shall be substituted therefor in the preceding sentence.

(b) In the event a Participant who is a non-Key Employee is covered under both a defined contribution plan and a defined benefit plan maintained by the Company or any Affiliated Company, notwithstanding anything herein to the contrary, the minimum contribution or benefit required by this Section 17.03 and by Section 416 of the Code shall be deemed satisfied if any one of the following rules is satisfied:

(i) each such Participant receives the defined benefit minimum as specified in Section 416(c)(l) of the Code;

(ii) the defined benefit minimum (as defined in clause (i), above) is provided each such Participant by the defined benefit plan and is offset by the benefits provided under the defined contribution plan;

(iii) the defined contribution plan provides aggregate benefits at least comparable to those provided by the defined benefit plan; or

(iv) if contributions and forfeitures under the defined contribution plan equal five percent (5%) of the Compensation for each Top-Heavy Plan.

17.04 Compensation Limitation.

For any Plan Year in which the Plan is a Top-Heavy Plan, the compensation limitation described in Section 416(d) of the Code shall apply.

17.05 Aggregate Limit on Contributions and Benefits for Key Employees.

For Plan Years beginning before January 1, 2000, if either of the following occurs, then 1.0 shall be substituted for 1.25 in the denominators of the defined benefit plan and defined contribution plan fractions used in computing the aggregate limitations set forth in Section 415 of the Code:

(a) A Key Employee participates in both a defined benefit plan and a defined contribution plan of the Company or any Affiliated Company and the plans are Super Top-Heavy Plans.

(b) A Key Employee participates in both a defined benefit plan and a defined contribution plan of the Company or any Affiliated Company and the plans are Top-Heavy Plans and an Extra Minimum Benefit or Extra Minimum Contribution is not provided for non-Key Employees.

For purposes of this section, Extra Minimum Benefit or Contribution shall mean one percent (1%) more than the standard minimum benefit or contribution required for non-Key Employees under Top-Heavy Plans as prescribed by Section 416(c) of the Code.

ARTICLE 18

GENERAL PROVISIONS

18.01 Trust Fund Sole Source of Payments for Plan.

The Trust Fund shall be the sole source for the payment of all Participants' Accounts, and the Plan's liability to make payment to any Participant or the Participant's Beneficiary shall be limited to the extent that the balance in such Participant's Account is sufficient to make such payment. In no event shall assets of the Company, any Affiliated Company, or any non Participating Employer be applied for the payment of Plan benefits.

18.02 Exclusive Benefit.

The Plan is established for the exclusive benefit of the Participants and their Beneficiaries, and the Plan shall be administered in a manner consistent with the provisions of Section 401 (a) of the Code and ER1SA.

18.03 Non-Alienation.

No benefit payable at any time under the Plan and no interest or expectancy herein shall be anticipated, assigned, or alienated by any Participant or beneficiary, or subject to attachment, garnishment, levy, execution, or other Segal or equitable process, except for (1) a Federal tax levy made pursuant to Section

6331 of the Code, (2) any benefit payable pursuant to a qualified domestic relations order (as defined in Section 414(p) of the Code), and (3) an offset of a Participant's benefits as described in Section 206(d)(4) of ERISA. Any attempt to alienate or assign a benefit hereunder, whether currently or hereafter payable, shall be void.

(a) Employee Transfers.

The transfer of an Employee between the Company and an Affiliated Company shall not be considered to be a termination of employment for purposes of the Plan.

18.04 Qualified Domestic Relations Order.

(a) All rights and benefits, including elections, provided to a Participant in the Plan shall be subject to the rights afforded to any alternate payee (as defined in Section 414(p)(8) of the Code) under a qualified domestic relations order (as defined in Section 414(p) of the Code).

(b) Notwithstanding anything in the Plan to the contrary, a distribution to an alternate payee shall be permitted if such distribution is authorized by the qualified domestic relations order without regard as to whether the affected Participant is currently entitled to receive a distribution.

18.05 Incapacity.

If the Administrator deems any Participant or Beneficiary who is entitled to receive payments hereunder incapable of receiving the same by reason of age, illness, infirmity, or incapacity of any kind, the Administrator may direct the Trustee to apply such payments directly for the comfort, support, and maintenance of such Participant or Beneficiary, or to pay the same to any responsible person caring for the Participant or Beneficiary who is determined by the Administrator to be qualified to receive and disburse such payments for the Participant's or Beneficiary's benefit; and the receipt of Plan benefit payment by such person shall be a complete acquittance for the payment of the benefit. Payments pursuant to this Section 19.06 shall be in complete discharge to the extent thereof of any and all liability of the Participating Employers, the Administrator, the Trustee and the Trust Fund.

18.06 Employment Rights.

Each Participating Employer's right to discipline or discharge its employees shall not be affected by reason of any of the provisions of the Plan. Neither the action of the Company in establishing the Plan, nor of any Participating Employer in adopting the Plan, nor any provisions of the Plan, nor any action taken by the Company, any Participating Employer or the Administrator shall be construed as giving to any Employee the right to be retained in the employ of the Company or any Participating Employer, or any right to payment except to the extent of the benefits provided in the Plan to be paid from the Trust Fund.

18.07 Return of Contributions.

(a) Except as specifically provided in the Plan, under no circumstances shall any funds contributed to the Trust Fund or any assets of the Trust Fund ever revert to, or be used by, the Company or any Affiliated Company.

(b) Any contributions made by any Participating Employer may be returned to the Participating Employer if:

(i) the contribution is made by reason of a mistake of fact; or

(ii) the contribution is conditioned on its deductibility for federal income tax purposes (each contribution shall be deemed to be so conditioned unless otherwise stated in writing by the Participating Employer) and such deduction is disallowed;

provided such contribution is returned within one (1) year of the discovery of the mistake of fact, the disallowance of the deduction for federal income tax purposes or the receipt of written notice from the Internal Revenue Service (in response to the request for its favorable determination) that the Plan fails to qualify under Section 401(a) of the Code, as the case may be. The amount of contribution that may be returned shall be reduced to reflect its proportionate share of any net investment loss in the Trust Fund. In the event clause (ii) applies, the returned contribution may include any net investment earnings or gain in the Trust Fund.

18.08 Distribution of Salary Deferral Contributions in Event of Merger or Sale.

Notwithstanding anything in the Plan to the contrary, Salary Deferral Contributions, and income attributable thereto, may be distributed to Participants or their beneficiaries as soon as administratively practicable after any of the following events:

(a) The termination of the Plan, provided that neither the Company nor any Affiliated Company maintains another defined contribution plan (other than an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Code) at such time or establishes a successor defined contribution plan (other than an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Code) during the period ending 12 months after the distribution of all assets of the Plan;

(b) The sale or other disposition, to an entity that is not an Affiliated Company, of substantially all of the assets used by the Company or an Affiliated Company in the trade or business in which the Participant is employed, but only with respect to Participants who continue employment with the acquiring entity; or

(c) The sale or other disposition, to an entity that is not an Affiliated Company, of the Company's or an incorporated Affiliated Company's interest in a subsidiary, but only with respect to Participants who continue employment with such subsidiary.

18.09 Merger, Consolidation or Transfer.

The Plan shall not be merged or consolidated with, nor shall any Plan assets or liabilities be transferred to, any other qualified plan, unless each Participant (if the other plan has then terminated) would receive a benefit that is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation or transfer (if the Plan had then terminated).

18.10 Action by the Company.

Whenever the Company under the terms of the Plan is permitted or required to do or perform any act, matter or thing, it shall be done by a person duly authorized by the Company's legally constituted authority.

18.11 Applicable Law.

Except as otherwise expressly required by ERISA, the Plan shall be construed and governed in accordance with the laws of the State of California.

18.12 Rules of Construction.

Section headings are used for convenience of reference only and shall not affect the meaning of any provisions of the Plan.

18.13 Severability of Provisions.

If any provision of the Plan is determined to be void by any court of competent jurisdiction, the Plan shall continue to operate and, for purposes of the jurisdiction of that court only, shall be deemed not to include the provisions determined to be void.

18.14 Withholding.

The Administrator and the Trustee shall have the right to withhold any and all state, local and Federal taxes which may be withheld in accordance with applicable law.

IN WITNESS WHEREOF, Countrywide Credit Industries, Inc. by its proper officers duly authorized by its Board of Directors, has caused this amended and restated Plan to be executed on this 14 of December, 2001.

COUNTRYWIDE CREDIT INDUSTRIES, INC.

/s/ Anne McCallion
Anne McCallion
Managing Director, Chief Administrative Officer

Attest: /s/ Susan Bow
Susan Bow
Assistant Secretary

APPENDIX A

DEFINITION OF CHANGE IN CONTROL

Definition of Change in Control.

A "Change in Control" shall mean the occurrence of any one of the following events:

(a) An acquisition (other than directly from the Company) of any common stock or other "Voting Securities" (as hereinafter defined) of the Company by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty-five percent (25%) or more of the then outstanding shares of the Company's common stock or the combined voting power of the Company's then outstanding Voting Securities; provided, however, that, in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. For purposes of the Plan, (i) "Voting Securities" shall mean the Company's outstanding voting securities entitled to vote generally in the election of directors and (ii) a "Non-Control Acquisition" shall mean an acquisition by (A) an employee benefit plan (or a trust forming a part thereof) maintained by (I) the Company or (II) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a "Subsidiary"), (B) the Company or any of its Subsidiaries, or (C) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

(a) The individuals who, as of May 6, 1996, are members of the Board of Directors (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the members of the Board; provided, however, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of the Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or the actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(b) The consummation of:

(i) A merger, consolidation or reorganization involving the Company, unless such merger, consolidation or reorganization is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a merger, consolidation or reorganization of the Company where:

(A) the Company's stockholders, immediately before such merger, consolidation or reorganization, own directly or indirectly immediately following such merger, consolidation or reorganization, at least seventy percent (70%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from such merger, consolidation or reorganization (the "Surviving Corporation")

in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization;

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation, or in the event that, immediately following the consummation of such transaction, a corporation beneficially owns, directly or indirectly, a majority of the Voting Securities of the Surviving Corporation, the board of directors of such corporation; and

(C) no Person other than (I) the Company, (II) any Subsidiary, (III) any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation, or any Subsidiary, or (IV) any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of twenty-five percent (25%) or more of the then outstanding Voting Securities or common stock of the Company, has Beneficial Ownership of twenty-five percent (25%) or more of the combined voting power of the Surviving Corporation's then outstanding Voting Securities or its common stock;

(ii) A complete liquidation or dissolution of the Company; or

(iii) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person, (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding common stock or Voting Securities as a result of the acquisition of common stock or Voting Securities by the Company which, by reducing the number of shares of common stock or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person; provided, however, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of common stock or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional common stock or Voting Securities which increases the percentage of the then outstanding common stock or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

APPENDIX B

RULES APPLYING TO PARTICIPANT LOANS

The Managing Director, Human Resources of the Countrywide Credit Industries, Inc. 401(k) Savings and Investment Plan (the "Plan") has adopted the rules and procedures set forth below with respect to plan loans under Article 10 of the Plan.

MAY I BORROW MONEY FROM MY PLAN ACCOUNTS?

Yes, if you currently are eligible to participate in the Plan, and if your application for a loan is approved by the Administrator, you may borrow money from your accounts (other than the portion of your account attributable to a transfer from the Countrywide Credit Industries, Inc. Profit Sharing Stock Ownership Plan ("ESOP account")). Loans will be made on a uniform and nondiscriminatory basis.

HOW DO I APPLY FOR A LOAN?

You may apply for a loan by completing the loan application form(s) provided by the Administrator.

ARE THERE ANY RESTRICTIONS ON THE AMOUNT I CAN BORROW?

The minimum amount you may borrow is $1,000. The maximum amount you may borrow is determined by the vested amount of your Plan account balance (excluding your ESOP account) as determined as of the date on which your loan is approved. The following table shows the Maximum Loan Amount that is permitted based on your vested Plan account balance (excluding your ESOP account balance):

Your Vested Account Balance (excluding your ESOP account balance)	Maximum Loan Amount
$ 0-$ 1,999	No loans allowed
$ 2,000 - $ 99,000	50% of your vested account balance under the Plan (excluding your ESOP account balance)
$ 100,000 or more	$ 50,000

If you have had a loan outstanding during the previous 12 months or a defaulted loan, that loan amount, including unpaid interest on a defaulted loan, must be taken into account in determining the maximum amount you can borrow.

MAY I SPECIFY THE INVESTMENT FUND FROM WHICH I WANT TO BORROW?

No. The loan amount will be divided on a pro rata basis across the investment funds in your salary deferral contribution account, rollover contribution account and employer contribution account, to the extent vested.

MAY I HAVE MORE THAN ONE LOAN OUTSTANDING AT A TIME?

Yes. You may have up to two loans outstanding.

WHAT WILL THE INTEREST RATE BE?

The annual interest rate on loans will be two percent (2%) plus the prime lending rate stated in the Money Rates section of The Wall Street Journal on the last business day of the calendar month prior to the date your loan application is approved by the Administrator.

WHAT IS THE TERM OF THE LOAN?

In general, loans must be repaid within five (5) years or less. However, if at the time the loan is made you intend to use the loan to acquire a house, apartment, or condominium which within a reasonable time will be used as your principal residence, the loan will have a maximum repayment period of fifteen (15) years. The Administrator may require you to furnish information verifying your use of the loan to purchase your principal residence. Loan repayments will be suspended as permitted under section 414(u)(4)of the Code.

DO I HAVE TO GIVE ANY SECURITY FOR THE LOAN?

Yes. The loan is secured by your vested Plan account balances other than your ESOP account. In addition, you will be personally liable for the amount of the loan.

HOW DO I REPAY THE LOAN?

While you are an employee, payments of principal and interest are made through payroll deductions.

If you take an approved leave of absence, you will be able to continue to repay the loan through monthly payments of principal and interest.

The payments will begin with the first month following the month in which you receive the loan. The repayment amounts will be equal, except for the final payment.

WHAT HAPPENS TO LOAN REPAYMENTS UNDER THE PLAN?

Repayments of principal and interest on your loan will be allocated to your Plan account other than your ESOP account. Each repayment will be invested according to your current investment selection when the repayment is made.

CAN I PREPAY THE LOAN?

Yes. There is no penalty if you want to prepay all of the unpaid balance on your loan. However, your minimum prepayment must be at least one multiple of your current loan payment amount or, if smaller, the outstanding balance of the loan.

WHAT HAPPENS IF I DEFAULT ON LOAN PAYMENTS?

You will be considered to be in default if you miss any scheduled loan repayment.

Once the loan is declared in default it will become immediately due and payable as of the last day of the month in which it is declared in default. If you do not cure the default within 60 days, in addition to any other remedies permitted by law, any outstanding loan balance (including accrued, but unpaid, interest) may be charged against your salary deferral contribution account, rollover contribution account, if any, and your employer contribution account to the extent vested under the Plan.

If and to the extent the outstanding loan balance is charged against your Plan account, as described above, the amount of such charge shall be deemed to be a taxable distribution to you from your Plan account. The Administrator may elect to charge the unpaid loan balance against your Plan account, as described above, whether or not you would otherwise be entitled to a distribution from the Plan.

If the unpaid loan amount is treated as a distribution, the taxable portion of this distribution will be reported to the IRS. You will be responsible for any taxes due as a result of treating the unpaid amount as a distribution.

If the unpaid balance of the loan cannot be satisfied from your Plan accounts described above or wages, the Administrator will have the same legal rights and remedies as a creditor to collect the remaining amount.

WHAT HAPPENS IF I TERMINATE EMPLOYMENT?

If your Plan account balance is distributed to you at the time of your termination, the amount to be distributed to you from the Plan will be reduced by the unpaid loan balance (including accrued interest) UNLESS you elect to repay the loan in full.

If you decide to delay distribution, you may continue to repay the loan through monthly payments of principal and interest.

APPENDIX C

CERTAIN MERGER AND SPINOFF TRANSACTIONS

The following table sets forth certain corporations or other trades or businesses and the qualified plan and trustee who shall receive the assets specified in resolutions of the Board of Directors.

Name of Plan	Trustee	Assets
INMC Mortgage Holdings, Inc. 401(k)Plan	Scudder Trust Company	Employer Contribution Account*; ESOP Account*; Rollover Contribution Account; Salary Deferral Contribution Account; Plan Loans

* Shares of Countrywide Credit Industries, Inc. common stock shall be transferred in kind.

APPENDIX D

SPECIAL SERVICE RECOGNITION PROVISIONS

AND LOAN ROLLOVERS

The following table sets forth certain corporations or other trades or businesses acquired by the Participating Employer and the degree to which pre-acquisition service shall be recognized hereunder pursuant to Section 2.16 hereof and as specified in a resolution of the Board of Directors.

Acquired Company	Recognition of Service	Effective Date
Leshner Financial, Inc.	Pre-acquisition service shall be recognized for purposes of eligibility to participate and vesting.	February 28, 1997
Balboa Life Insurance Company	Pre-acquisition service with Balboa, Textron, AVCO and Associates shall be recognized for purposes of eligibility to participate, vesting and eligibility for matching contributions. Participant loans from the Associates' Savings and Profit Plan are Eligible for rollover.	November 30, 1999

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FIRST AMENDMENT

COUNTRYWIDE CREDIT INDUSTRIES, INC.
401(k) SAVINGS AND INVESTMENT PLAN
(as amended and restated effective January 1, 1997)

The Board of Directors of Countrywide Credit Industries, Inc. (the "Company") amended the Countrywide Credit Industries, Inc. 401(k) Savings and Investment Plan (the "Plan") to provide benefits available under the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") effective January 1, 2002. The Board of Directors of the Company authorized and empowered officers of the Company to execute any documents and to take any other action in furtherance of such amendment. This "Amendment" (i) increases the compensation limit; (ii) increases the contribution percentage of Participants; (iii) provides for "catch up" contributions for Participants age 50 and older; (iv) changes the suspension period for Participants making hardship withdrawals; (v) expands the type of employee benefit plan from which the Plan can accept rollover contributions; (vi) eases the distribution rules with respect to corporate acquisitions and divestitures; (vii) revises the mandatory cash out rule to exclude amounts rolled into the Plan; and (viii) modifies the Top-Heavy rules.

This Amendment is adopted to reflect certain provisions of EGTRRA. This Amendment is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, this Amendment shall be effective January 1, 2002.

This Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment.

1. Section 1.13, "Compensation," is hereby amended by deleting the last paragraph of this Section and inserting in its place a new section as follows:

   "The annual compensation of each Participant taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed $200,000, as adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code. Annual compensation means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the "determination period"). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year."

2. Section 4.01, "Salary Deferral Contributions," is hereby amended by deleting paragraph (a) and inserting in its place a new paragraph (a) as follows:

   "(a) Effective January 1, 2002, a Participant may elect to have Salary Deferral Contributions made on his or her behalf in an amount equal to a full percentage of his

or her Compensation from one percent (1%) to forty percent (40%) or such other percentage as may be established by the Administrator. Such contributions shall be made by the Participating Employer as a reduction in the Compensation that would otherwise be payable to the Participant."

3. Section 4.01, "Salary Deferral Contributions," is hereby amended by adding new paragraph (b) and changing paragraphs (b) through (e) to paragraphs (c) through (f) as follows:

   "(b) A Participant who attains age 50 or older prior to the close of the Plan Year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Section 414(v) of the Code. Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Sections 402(g) and 415 of the Code. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416 of the code, as applicable, by reason of the making of such catch-up contribution."

4. Section 4.02, "Rollover Contributions", is modified by deleting paragraphs (a) and (b) in their entirety and inserting in their place new paragraphs (a) and (b) as follows:

   "(a) Effective January 1, 2002, subject to the approval of the Administrator, the Plan will accept a direct eligible rollover distribution or a Participant contribution of an eligible rollover distribution from (i) a qualified plan described in Section 401(a) or 403(a) of the Code, excluding after-tax employee contributions; (ii) an annuity contract described in Section 403(b) of the Code, excluding after-tax employee contributions; (iii) an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; or (iv) the portion of a distribution from an individual retirement account or annuity described in Section 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includible in gross income.

   (b) Rollover contributions must be made no later than sixty (60) days following the date on which the Participant receives the distribution from such other plans as described in subparagraph (a) of this Section 4.02."

5. Section 5.01, "Employer Matching Contributions", is hereby amended by deleting paragraph (a) in its entirety and replacing it with new paragraph (a) as follows:

   "(a) The Company, it its sole discretion, from time to time shall determine the amount, if any, of Employer Matching Contributions to be made for any Plan Year on behalf of Participants who are Eligible Employees of the Company and each Participating Employer; provided, however, that no Employer Matching Contributions shall be made in respect of any (i) Salary Deferral Contributions made by a Participant prior to the Entry Date described in Section 3.01(b) and (ii) catch-up contribution described in Section 4.01(b)."

6. Section 6.02, “Annual Limitation on Salary Deferral Contributions,” is hereby revised by adding new paragraph 6.02(c) as follows:

“(c) No Participant shall be permitted to have elective deferrals made under the Plan or any other qualified plan maintained by a Participating Employer or Affiliated Company during any Plan Year in excess of the dollar limitation contained in Section 402(g) of the Code in effect for such Plan Year, except to the extent permitted under Section 4.01(b) of the Plan and Section 414(v) of the Code, if applicable.”

7. Section 6.05, “Combined Limitations on Salary Deferral Contributions and Employer Matching Contributions,” is hereby amended by adding new paragraph (c) as follows:

“(c) The multiple use test described in Treasury Regulation Section 1.401(m)-2 and this Section 6.05 shall not apply for Plan Years beginning after December 31, 2001.”

8. Section 6.08, “Limitations on Contributions Applicable to All Participants,” is hereby amended by deleting paragraph (a) and inserting in its place new paragraph (a) as follows:

“(a) In no event shall the Annual Addition to a Participant’s Account for any Limitation Year beginning on or after January 1, 2002 exceed the lesser of:

(i) $40,000, as adjusted for increases in the cost-of-living under Section 415(d) of the Code, or

(ii) 100 percent of the Participant’s compensation, within the meaning of Section 415(c)(3) of the Code, for the Limitation Year.

The compensation limit referred to in (ii) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Section 401(h) or Section 419(A)(f)(2) of the Code) which is otherwise treated as an annual addition.

9. Section 11.01, “Financial Hardship,” is hereby amended by deleting subparagraph (iii) in its entirety and substituting new subparagraph (iii) in its place as follows:

“(iii) the Participant’s Salary Deferral Contributions under the Plan, and the Participant’s elective deferrals and voluntary employee contributions under all other plans maintained by the Company or any Affiliated Company, are suspended for a period of 12 months after receipt of the hardship distribution; provided, however, that effective January 1, 2002, the suspension shall be for a period of six months for distributions made on or after January 1, 2002; and”

10. Section 13.01, “Termination of Employment Prior to Age 65,” is hereby amended by adding the following language at the end of the introductory paragraph:

“For purposes of this Section 13.01, the value of a Participant’s nonforfeitable account balance shall be determined without regard to that portion of the account balance that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Code. If the value of the Participant’s nonforfeitable account balance as so determined is $5,000 or less, the Plan shall distribute the Participant’s entire nonforfeitable account balance as soon as practicable.”

11. Article 13, “Distributions After Termination of Employment,” is hereby amended by renumbering Sections 13.03 through 13.07 to 13.04 through 13.08 and inserting new Section 13.03 as follows:

“**Section 13.03 Severance From Employment**

Effective for distributions made on or after January 1, 2002, Salary Deferral Contributions, Rollover Contributions, Employer Matching Contributions, Employer Discretionary Contributions and Qualified Nonelective Contributions, and earning attributable to these contributions shall be distributed on account of the Participant’s severance from employment. However, such distribution shall be subject to the other provisions of the Plan regarding distributions, other than provisions that require a separation from service before such amounts may be distributed.”

12. Section 13.06, “Direct Transfer of Eligible Rollover Distribution,” is hereby modified by designating the existing language as paragraph (a) and adding the following language as new paragraphs (b) and (c) as follows:

“(b) Notwithstanding the provisions of subparagraph (a) of this Section 13.06, any amount distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan.”

“(c) For purposes of this Section 13.06, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.”

13. Article 17, “Top-Heavy Plan Provisions,” is hereby modified as follows:

(a) Section 17.02(b), "Key Employee," is hereby deleted in its entirety and new Section 17.02(b) is inserted in its place as follows:

"(b) "**Key Employee"** means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the Determination Date was an officer of the Company or any Affiliated Company having annual compensation greater than $130,000 (as adjusted under Section 416(i)(1) of the Code for Plan Years beginning after December 31, 2002), a 5-percent owner of a Participating Employer or Affiliated Company, or a 1-percent owner of a Participating Employer or Affiliated Company having annual compensation of more than $150,000. For this purpose, annual compensation means compensation within the meaning of Section 415(c)(3) of the Code. The determination of who is a Key Employee will be made in accordance with Section 416 (i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder."

(b) Determination of present values and amounts. This paragraph (b) shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of employees as of the Determination Date.

(i) Distributions during year ending on the Determination Date. The present values of accrued benefits and the amounts of account balances of an Employee as of the Determination Date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Section 416(g)(2) of the Code during the 1-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."

(ii) Employees not performing services during the year ending on the Determination Date. The accrued benefits and accounts of any individual who has not performed services any Participating Employer during the 1-year period ending on the Determination Date shall not be taken into account.

(c) Minimum Benefits. Employer Matching Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Section 416(c)(2) of the Code and the Plan. Employer Matching Contributions

that are used to satisfy the minimum contribution requirements shall be treated as Employer Matching Contributions for purposes of the actual contribution percentage test and other requirements of Section 401(m) of the Code.

IN WITNESS WHEREOF, Countrywide Credit Industries, Inc. by its proper officers duly authorized by its Board of Directors has caused this First Amendment to be executed on this 3 of January, 2002.

COUNTRYWIDE CREDIT INDUSTRIES, INC.

/s/ ANNE MCCALLION
Anne McCallion
Managing Director, Chief Administrative Officer

Attest: /s/ SUSAN BOW
Susan Bow
Assistant Secretary

EX-4.1.2 4 v29820exv4w1w2.htm EXHIBIT 4.1.2

EXHIBIT 4.1.2

AMENDMENT NUMBER TWO TO THE COUNTRYWIDE CREDIT INDUSTRIES, INC.
401(k) SAVINGS AND INVESTMENT PLAN

This Amendment to the Countrywide Credit Industries, Inc 401(k) Savings and Investment Plan ("Plan"), executed on this 22nd day of May, 2002, pursuant to resolutions adopted by Countrywide Credit Industries, Inc., a Corporation of the State of California (the "Company").

WITNESSETH THAT:

WHEREAS, effective September 1, 1984, the Company adopted the Plan, which was amended and restated in its entirety, effective January 1, 1997 to comply with the Uruguay Round Agreements Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998, and the Community Renewal Tax Relief Act of 2000 ("GUST") and subsequently amended to comply with certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001;

WHEREAS, the Company submitted the Plan to the Internal Revenue Service on December 21, 2001 to request a favorable GUST determination letter;

WHEREAS, Section 15.01 of the Plan provides that the Board of Directors of the Company may amend the Plan at any time, provided that no amendment (a) materially affects the trustee's duties; (b) diverts corpus or income of the Plan's trust to purposes other that the exclusive benefit of participants and their beneficiaries; or (c) reduces or eliminates any benefit which is a "Section 411(d)(6) Protected Benefit" except as permitted by Treasury Regulations;

WHEREAS, the Internal Revenue Service has requested certain amendments in order to issue a favorable determination letter with respect to the Plan and as a result, the Company shall, prior to approving this Amendment Number Two, submit a copy of this Amendment Number Two to the Internal Revenue Service for review to supplement the Plan's application for determination letter submitted on December 21, 2001;

WHEREAS, unless otherwise provided herein, this Amendment Number Two shall be effective January 1, 1997;

NOW, THEREFORE, the Plan is hereby amended as follows:

1. The definition of "Compensation" in section 1.13 is amended by replacing Section 1.13(a) with the following:

(a) including employer contributions made pursuant to a compensation reduction agreement which are not includible in the gross income of a Participant under Sections 125, 402(e)(3), 402(h), or 457 of the Code and for Plan Years beginning on or after January 1, 2001, Section 132(f)(4) of the Code;

2. The definition of "Eligible Employee" in Section 1.15 is amended by replacing the entire text of subparagraph (b)(i) with "is a Leased Employee, or"

3. The definition of "Eligible Employee" in Section 1.15 is amended by replacing any reference to "leased employee" in subparagraph (f) thereof with "Leased Employee."

4. The definition of “Employee” in Section 1.16 is amended to read as follows:

1.16 **“Employee”** means any individual who is treated as a common law employee of a Participating Employer.

5. A new definition of “Leased Employee” is added as Section 1.22A to read as follows:

1.22A “Leased Employee” means any person (other than an Employee of the Company or an Affiliated Company) who pursuant to an agreement between the Company or an Affiliated Company and any other person (“leasing organization”) has performed services for the Company or an Affiliated Company (or for the Company or an Affiliated Company determined in accordance with Section 414(n)(6) of the Code) on a substantially full time basis for a period of at least one year, and such services are performed under primary direction or control by the Company or an Affiliated Company.

6. A new definition of “Normal Retirement Age” is added as Section 1.24A to read as set forth below and each reference in the Plan to “age 65” or “65th birthday” in Sections 9.02(a), 9.02(b), 13.01 and 13.02 is replaced with “Normal Retirement Age.”

1.24A “Normal Retirement Age” means the date of the Employee’s sixty-fifth (65th) birthday.

7. Article 17 is amended by amending by adding a new Section 17.02(c) to read as set forth below, renumbering Sections 17.02(c) through (f) to Sections 17.01(d) through (g), respectively, and amending Sections 17.03 and 17.05 by replacing “non-Key Employee” with “Non-Key Employee.”

(c) **“Non-Key Employee”** means an Employee who is not a Key Employee.

COUNTRYWIDE CREDIT INDUSTRIES, INC.

/s/ LEORA I. GOREN
Leora I. Goren
Managing Director, Human Resources

Attest: /s/ SUSAN BOW
Susan Bow
Assistant Secretary

EX-4.1.3 5 v29820exv4w1w3.htm EXHIBIT 4.1.3

**AMENDMENT NUMBER THREE TO THE
COUNTRYWIDE FINANCIAL CORPORATION
401(k) SAVINGS AND INVESTMENT PLAN**

THIS AMENDMENT is made on this 3rd day of December, 2003, by Countrywide Financial Corporation, a corporation duly organized and existing under the laws of the State of Delaware (the "Company").

W I T N E S S E T H:

WHEREAS, the Company maintains the Countrywide Financial Corporation 401(k) Savings and Investment Plan (the "Plan"), which was last amended on May 22, 2002; and

WHEREAS, the Company now wishes to amend the Plan primarily to modify its eligibility provisions and to comply with applicable law.

WHEREAS, this amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment Number Three.

WHEREAS, unless otherwise provided herein, this Amendment Number Three shall be effective January 1, 2003:

NOW, THEREFORE, the Company does hereby amend the Plan as follows:

1. By deleting Section 1.11 and substituting therefor the following:

"**1.11** '**Company**' means Countrywide Financial Corporation, f/k/a Countrywide Credit Industries, Inc., or any successor by merger, consolidation or sale of assets."

2. Effective for claims for benefits filed after December 31, 2001, by adding the following new Section 1.14A:

"**1.14A** '**Appeals Fiduciary**' means an individual or group of individuals appointed to review appeals of claims for benefits payable due to a Participant's Total Disability made pursuant to Section 14.13."

3. Effective January 1, 2004, by deleting Section 1.15(e) and substituting therefor the following:

"(e) any employee employed on a temporary basis, for other than an indefinite period of time, as determined by the Participating Employer. If such an employee has been participating in the Plan prior to January 1, 2004, his or her participation will cease with respect to Salary Deferral Contributions, Employer Matching Contributions, Employer Discretionary Contributions, and Rollover Contributions as of the date he or she ceases to be an Eligible Employee. After such date, he or she shall continue to be a Participant only with respect to the allocation of

earnings, losses, and expenses made in accordance with Article 7 until the balance credited to his or her Account is distributed."

4. By deleting Section 1.27 and substituting therefor the following:

"**1.27** '**Plan**' means the Countrywide Financial Corporation 401(k) Savings and Investment Plan, a profit sharing plan as set forth herein and as may be amended from time to time."

5. Effective January 1, 2004, by deleting Section 2.03 and substituting therefor the following:

"**2.03** '**Eligibility Computation Period**' means the completion of an Employee's first Hour of Service for the Company or an Affiliated Company coinciding with or immediately following the Employee's Employment Commencement Date."

6. Effective January 1, 2004, by deleting Section 3.01(a)(i) and substituting therefor the following:

"(i) Each Employee as of January 1, 2004 who was a Participant in the Plan immediately prior to January 1, 2004 shall continue to be a Participant as of January 1, 2004."

7. Effective January 1, 2004, by deleting Section 3.01(a)(ii) and substituting therefore the following:

"(ii) Each Employee who was not eligible to participate immediately prior to January 1, 2004 shall become a Participant as soon as administratively possible following the date he or she meets the following requirements:

(A) Attainment of age 21; and

(B) Completion of the Eligibility Computation Period,

if he or she is then an Eligible Employee."

8. Effective January 1, 2004, by deleting Section 4.01(a) and substituting therefor the following:

"(a) A Participant may elect to have Salary Deferral Contributions made on his or her behalf in an amount equal to a full percentage of his or her Compensation from one percent (1%) to forty percent (40%) or such other percentage as may be established by the Administrator. The Administrator may, at any time, establish a separate, lower maximum percentage applicable to Participants who are Highly Compensated Employees or any subcategory of that group of Participants. Such

contributions shall be made by the Participating Employer as a reduction in the Compensation that would otherwise be payable to the Participant."

9. Effective for claims for benefits filed after December 31, 2001, by adding the following sentence to the end of Section 14.01:

"The Appeals Fiduciary appointed to review appeals of claims for benefits payable due to a Participant's Total Disability is a 'Named Fiduciary' for purposes of Section 402(a)(2) of ERISA."

10. Effective for claims for benefits filed after December 31, 2001, by adding the following new Section 14.02(d):

"(d) Appeals Fiduciary. The Administrator shall appoint an Appeals Fiduciary. The Appeals Fiduciary shall be required to review claims for benefits payable due to a Participant's Total Disability that are initially denied by the Administrator and for which the claimant requests a full and fair review pursuant to Section 14.13. The Appeals Fiduciary may not be the individual who made the initial adverse determination with respect to any claim he reviews and may not be a subordinate of any individual who made the initial adverse determination. The Appeals Fiduciary may be removed in the same manner in which appointed or may resign at any time by written notice of resignation to the Administrator. Upon such removal or resignation, the Administrator shall appoint a successor."

11. Effective for claims for benefits filed after December 31, 2001, by deleting the existing Section 14.13 and substituting therefor the following**:**

"**14.13 Claims Procedure.**

(a) **Notice of Denial**. If a Participant or a Beneficiary is denied a claim for benefits under the Plan, the Administrator shall provide to the claimant written notice of the denial within ninety (90) days (forty-five (45) days with respect to a denial of any claim for benefits due to the Participant's Total Disability) after the Administrator receives the claim, unless special circumstances require an extension of time for processing the claim. If such an extension of time is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period. In no event shall the extension exceed a period of ninety (90) days (thirty (30) days with respect to a claim for benefits due to the Participant's Total Disability) from the end of such initial period. With respect to a claim for benefits due to the Participant's Total Disability, an additional extension of up to thirty (30) days beyond the initial 30-day extension period may be required for processing the claim. In such event, written notice of the extension shall be furnished to the claimant within the initial 30-day extension period. Any extension notice shall indicate the special circumstances requiring the extension of time, the date by which the Administrator expects to render the final decision, the standards on which

entitlement to benefits are based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues.

(b) **Contents of Notice of Denial**. If a Participant or Beneficiary is denied a claim for benefits under the Plan, the Administrator shall provide to such claimant written notice of the denial which shall set forth:

(i) the specific reasons for the denial;

(ii) specific references to the pertinent provisions of the Plan on which the denial is based;

(iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary;

(iv) an explanation of the Plan's claim review procedures, and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Sections 502(a) of ERISA following an adverse benefit determination on review;

(v) in the case of a claim for benefits due to a Participant's Total Disability, if an internal rule, guideline, protocol or other similar criterion is relied upon in making the adverse determination, either the specific rule, guideline, protocol or other similar criterion; or a statement that such rule, guideline, protocol or other similar criterion was relied upon in making the decision and that a copy of such rule, guideline, protocol or other similar criterion will be provided free of charge upon request; and

(vi) in the case of a claim for benefits due to a Participant's Total Disability, if a denial of the claim is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the denial, an explanation applying the terms of the Plan to the claimant's medical circumstances or a statement that such explanation will be provided free of charge upon request.

(c) **Right to Review**. After receiving written notice of the denial of a claim or that a domestic relations order is a qualified domestic relations order, a claimant or his representative shall be entitled to:

(i) request a full and fair review of the denial of the claim or determination that a domestic relations order is a qualified domestic relations order by written application to the Administrator (or Appeals Fiduciary in the case of a claim for benefits payable due to a Participant's Total Disability);

(ii) request, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim;

(iii) submit written comments, documents, records, and other information relating to the denied claim to the Administrator or Appeals Fiduciary, as applicable; and

(iv) a review that takes into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(d) **Application for Review**.

(i) If a claimant wishes a review of the decision denying his claim to benefits under the Plan, other than a claim described in Subsection (2) of this Section 14.13 (d) or if a claimant wishes to appeal a decision that a domestic relations order is a qualified domestic relations order, he must submit the written application to the Administrator within sixty (60) days after receiving written notice of the denial or notice that the domestic relations order is a qualified domestic relations order.

(ii) If the claimant wishes a review of the decision denying his claim to benefits under the Plan due to a Participant's Total Disability, he must submit the written application to the Appeals Fiduciary within one hundred eighty (180) days after receiving written notice of the denial. With respect to any such claim, in deciding an appeal of any denial based in whole or in part on a medical judgment (including determinations with regard to whether a particular treatment, drug, or other item is experimental, investigational, or not medically necessary or appropriate), the Appeals Fiduciary shall

(A) consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment; and

(B) identify the medical and vocational experts whose advice was obtained on behalf of the Plan in connection with the denial without regard to whether the advice was relied upon in making the determination to deny the claim.

Notwithstanding the foregoing, the health care professional consulted pursuant to this Subsection (2) shall be an individual who was not consulted with respect to the initial denial of the claim that is the subject of the appeal or a subordinate of such individual.

(e) **Hearing.** Upon receiving such written application for review, the Administrator or Appeals Fiduciary, as applicable, may schedule a hearing for purposes of reviewing the claimant's claim, which hearing shall take place not more than thirty (30) days from the date on which the Administrator or Appeals Fiduciary received such written application for review.

(f) **Notice of Hearing**. At least ten (10) days prior to the scheduled hearing, the claimant and his representative designated in writing by him, if any, shall receive written notice of the date, time, and place of such scheduled hearing. The claimant or his representative, if any, may request that the hearing be rescheduled, for his convenience, on another reasonable date or at another reasonable time or place.

(g) **Counsel.** All claimants requesting a review of the decision denying their claim for benefits may employ counsel for purposes of the hearing.

(h) **Decision on Review**. No later than sixty (60) days (forty-five (45) days with respect to a claim for benefits due to the Participant's Total Disability) following the receipt of the written application for review, the Administrator or the Appeals Fiduciary, as applicable, shall submit its decision on the review in writing to the claimant involved and to his representative, if any, unless the Administrator or Appeals Fiduciary determines that special circumstances (such as the need to hold a hearing) require an extension of time, to a day no later than one hundred twenty (120) days (ninety (90) days with respect to a claim for benefits due to the Participant's Total Disability) after the date of receipt of the written application for review. If the Administrator or Appeals Fiduciary determines that the extension of time is required, the Administrator or Appeals Fiduciary shall furnish to the claimant written notice of the extension before the expiration of the initial sixty (60) day (forty-five (45) days with respect to a claim for benefits due to the Participant's Total Disability) period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Administrator or Appeals Fiduciary expects to render its decision on review. In the case of a decision adverse to the claimant, the Administrator or Appeals Fiduciary shall provide to the claimant written notice of the denial which shall include:

(i) the specific reasons for the decision;

(ii) specific references to the pertinent provisions of the Plan on which the decision is based;

(iii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits;

(iv) an explanation of the Plan's claim review procedures, and the time limits applicable to such procedures, including a statement of the claimant's right to bring an action under Section 502(a) of ERISA following the denial of the claim upon review;

(v) in the case of a claim for benefits due to the Participant's Total Disability, if an internal rule, guideline, protocol or other similar criterion is relied upon in making the adverse determination, either the specific rule, guideline, protocol or other similar criterion; or a statement that such rule, guideline, protocol or other similar criterion was relied upon in making the decision and that a copy of such rule, guideline, protocol or other similar criterion will be provided free of charge upon request;

(vi) in the case of a claim for benefits due to a Participant's Total Disability, if a denial of the claim is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the denial, an explanation applying the terms of the Plan to the claimant's medical circumstances or a statement that such explanation will be provided free of charge upon request; and

(vii) in the case of a claim for benefits due to a Participant's Total Disability, a statement regarding the availability of other voluntary alternative dispute resolution options."

12. By adding the following Appendix E:

"APPENDIX E
MINIMUM DISTRIBUTION REQUIREMENTS

SECTION 1
GENERAL RULES

(a) Effective Date and Precedence. The provisions of this Appendix E will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year. The requirements of this Appendix E will take precedence over any inconsistent provisions of the Plan.

(b) Requirements of Treasury Regulations Incorporated. All distributions required under this Section will be determined and made in accordance with the Treasury Regulations under Code Section 401(a)(9).

(c) TEFRA Section 242(b)(2) Elections. Notwithstanding the other provisions of this Appendix E, distributions may be made under a designation made before January 1, 1984, in accordance with Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to Section 242(b)(2) of TEFRA.

SECTION 2
TIME AND MANNER OF DISTRIBUTION

(a) Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

(b) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(1) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, then, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.

(2) If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, then, distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(3) If there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(4) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 2(b), other than Section 2(b)(1) of this Appendix E, will apply as if the surviving spouse were the Participant.

For purposes of this Section 2(b) and Section 4 of this Appendix E, unless Section 2(b)(4) of this Appendix E applies, distributions are considered to begin on the Participant's Required Beginning Date. If Section 2(b) of this Appendix E applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under Section 2(b)(1) of this Appendix E. If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 2(b)(1)), the date distributions are considered to begin is the date distributions actually commence.

(c) Forms of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Beginning Date, as of the first Distribution Calendar Year, distributions will be made in accordance with Sections 3 and 4 of this Appendix E. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code Section 401(a)(9) and the regulations issued thereunder.

SECTION 3
REQUIRED MINIMUM DISTRIBUTIONS DURING PARTICIPANT'S LIFETIME

(a) Amount of Required Minimum Distribution For Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the lesser of:

(1) the quotient obtained by dividing the Participant's Account Balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year; or

(2) if the Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's spouse, the quotient obtained by dividing the Participant's Account Balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the Distribution Calendar Year.

(b) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Section 3 beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death.

SECTION 4
REQUIRED MINIMUM DISTRIBUTIONS AFTER PARTICIPANT'S DEATH

(a) Death On or After Date Distributions Begin.

(1) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the longer of the remaining Life Expectancy of the Participant or the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as follows:

(i) The Participant's remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(ii) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, the remaining Life Expectancy of the surviving spouse is calculated for each Distribution Calendar Year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For Distribution Calendar Years after the year of the surviving spouse's death, the remaining Life Expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(iii) If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the Designated Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(2) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no Designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the Participant's remaining Life Expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(b) Death Before Date Distributions Begin.

(1) Participant Survived by Designated Beneficiary. If the Participant dies before the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as provided in Section 4(a).

(2) No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(3) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole Designated

Beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under Section 2(b)(1) of this Appendix E, this Section (b) will apply as if the surviving spouse were the Participant.

SECTION 5
DEFINITIONS

As used in this Appendix E, the following words and phrases shall have the meaning set forth below:

(a) Designated Beneficiary. The individual who is designated as the Beneficiary under Section 13.04 of the Plan and is the designated Beneficiary under Section 401(a)(9) of the Internal Revenue Code and Section 1.401(a)(9)-1, Q&A-4, of the Treasury Regulations.

(b) Distribution Calendar Year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 2(b). The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that distribution calendar year.

(c) Life Expectancy. Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury Regulations.

(d) Participant's Account Balance. The Account balance as of the last Valuation Date in the calendar year immediately preceding the Distribution Calendar Year ("Valuation Calendar Year") increased by the amount of any contributions made and allocated or forfeitures allocated to the Account balance as of dates in the Valuation Calendar Year after the Valuation Date and decreased by distributions made in the Valuation Calendar Year after the Valuation Date. The Account balance for the Valuation Calendar Year includes any amounts rolled over or transferred to the Plan either in the Valuation Calendar Year or in the Distribution Calendar Year if distributed or transferred in the Valuation Calendar Year.

(e) Required Beginning Date**.** The date specified in Section 1.29 of the Plan."

Except as specifically amended hereby, the Plan shall remain in full force and effect prior to this Amendment Number Three.

IN WITNESS WHEREOF, the Company has caused this Amendment Number Three to be executed on the day and year first above written.

COUNTRYWIDE FINANCIAL CORPORATION

By: /s/ THOMAS H. BOONE
Thomas H. Boone
Title: Senior Managing Director, Chief Administrative Officer

ATTEST:

/s/ GERARD A. HEALY

Title: Assistant Secretary

[CORPORATE SEAL]

EX-4.1.4 6 v29820exv4w1w4.htm EXHIBIT 4.1.4

AMENDMENT NUMBER FOUR TO THE
COUNTRYWIDE FINANCIAL CORPORATION
401(k) SAVINGS AND INVESTMENT PLAN

THIS AMENDMENT is made on this 15 day of June, 2004, by Countrywide Financial Corporation, a corporation duly organized and existing under the laws of the State of Delaware (the "Company").

W I T N E S S E T H:

WHEREAS, the Company maintains the Countrywide Financial Corporation 401(k) Savings and Investment Plan (the "Plan"), which was last amended on December 3, 2003;

WHEREAS, the Company now wishes to amend the Plan to modify its procedures applicable to the allocation of qualified non-elective contributions;

WHEREAS, this amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment Number Four; and

WHEREAS, unless otherwise provided herein, this Amendment Number Four shall be effective January 1, 2004:

NOW, THEREFORE, the Company does hereby amend the Plan as follows:

1. By adding new Subsection (e) to Section 1.01, as follows:

"(e) '**QNEC Account**' means that portion of the Participant's Account attributable to QNECs, if any, as adjusted for withdrawals and distributions and the earnings, losses and expenses attributable thereto."

2. By substituting the phrase "Salary Deferral Contributions, Employer Matching Contributions, Employer Discretionary Contributions, QNECs and Rollover Contributions" for the phrase "Salary Deferral Contributions, Employer Matching Contributions, Employer Discretionary Contributions, and Rollover Contributions" where the latter phrase appears in Section 1.15(e).

3. By adding the following new Section 1.28A, as follows:

"**1.28A** '**QNECs**' means qualified non-elective contributions, within the meaning of Treasury Regulation Section 1.401(k)-1(g)(13)(ii), used to satisfy either the Actual Deferral Percentage test under Section 6.03 and/or the Actual Contribution Percentage test under Section 6.04 with respect to any Plan Year."

4. By deleting Section 6.03(c) and substituting therefor the following:

"(c) '**Actual Deferral Percentage**' means, for a specified group of Participants for a Plan Year, the average of the ratios (calculated separately for each Participant in such group) of (i) the sum of the amount of Salary Deferral Contributions and QNECs actually paid over to the Trust Fund on behalf of such Participant for the Plan Year to (ii) the Participant's Section 415 Compensation for such Plan Year but, to the extent applicable, taking into account only compensation paid after the employee first became a Participant in the Plan. For Plan Years beginning after December 31, 1996, this percentage shall be calculated using the current year testing method."

5. By deleting Section 6.04(b) and substituting therefor the following:

"(b) '**Actual Contribution Percentage**' means, for a specified group of Participants for a Plan Year, the average of the ratios (calculated separately for each Participant in such group) of (i) the sum of the amount of Employer Matching Contributions, Employer Discretionary Contributions and QNECs actually paid over to the Trust Fund on behalf of such Participant for the Plan Year to (ii) the Participant's Section 415 Compensation for such Plan Year but, to the extent applicable, taking into account only compensation paid after the employee first became a Participant in the Plan. QNECs that are taken into account for a Plan Year under Section 6.03(c) shall not be taken into account for purposes of this Section 6.04(b). For Plan Years beginning after December 31, 1996, this percentage shall be calculated using the current year testing method."

6. By deleting Section 6.06(c) and substituting therefor the following:

"(c) To the extent permitted under the Code and applicable Treasury Regulations, within twelve (12) months after the close of a Plan Year (or within such greater time if permitted by the Internal Revenue Service), the Participating Employer, in its sole discretion, may make QNECs on behalf of one or more Non-highly Compensated Employees to be allocated to their QNEC Accounts in an amount sufficient to satisfy one or both of the tests set forth in Sections 6.03 and 6.04. QNECs shall be allocated to Participants who are Non-highly Compensated Employees, starting with the Participant with the lowest Compensation for the Plan Year, until such Participant has reached the limitation under Section 6.08 hereof and then allocating QNECs similarly to the remaining group of such Participants, in ascending order of Compensation, until the QNECs are fully utilized. Once the QNECs are fully utilized, no further allocations will be made to any remaining Participants in the group of Non-highly Compensated Employees. For any such Plan Year, the Administrator shall designate whether QNECs contributed by a Participating Employer are to be used to satisfy the test under Section 6.03 or under Section 6.04 or, if both, the portion of QNECs to be applied towards satisfaction of each test. From and after the Plan Year with

respect to which Proposed Treasury Regulation Section 1.401(k)-2 first becomes effective, the allocation of QNECs to eligible Participants who are Non-highly Compensated Employees shall not be made to each such Participant until the limitation under Section 6.08 is attained; instead, the allocation to each such Participant shall be equal to the Participant's Compensation multiplied by the greater of five percent (5%) or two (2) times the Plan's 'representative contribution rate', as defined under Proposed Treasury Regulation Section 1.401(k)-2(a)(6)(iv)(B) or such other maximum allocation rate permitted by the final version of Proposed Treasury Regulation Section 1.401(k)-2(a)(6)(iv)."

7. By deleting Section 8.04(c) and substituting therefor the following:

"(c) A Participant's Salary Deferral Contribution Account and QNEC Account may be invested up to fifty percent (50%) in Company Stock. A Participant may change his investment election with respect to existing investments in Company Stock in any Salary Deferral Contribution, QNEC Account and Rollover Contribution Account, provided that at the time of such change, the value of the Participant's investment in Company Stock shall not exceed fifty percent (50%) of the total value of the Participant's Salary Deferral Contribution Account, QNEC Account and Rollover Contribution Account."

8. By deleting Section 9.01 and substituting therefor the following:

"**9.01 'Salary Deferral Contribution Account, QNEC Account and Rollover Contribution Account.'**

A Participant's interest in his or her Salary Deferral Contribution Account, QNEC Account and Rollover Contribution Account, if any, shall be fully vested and nonforfeitable at all times."

9. By deleting Section 9.05(a) and substituting therefor the following:

"(a) Forfeitures shall be used, at the discretion of the Administrator, to pay administrative expenses of the Plan, to fund QNECs for the current or immediately preceding Plan Year or to reduce the amount of Employer Matching Contributions and Employer Discretionary Contributions which are to be made by the Participating Employer for the current or following Plan Year."

10. By substituting the phrase "Salary Deferral Contribution Account, Rollover Contribution Account, QNEC Account and Employer Contribution Account" for the phrase "Salary Deferral Contribution Account, Rollover Contribution Account and Employer Contribution Account" each time the latter phrase appears in Article 10.

11. By substituting the term "QNECs" for the phrase "Qualified Nonelective Contributions" where the latter phrase appears in Section 13.03.

Except as specifically amended hereby, the Plan shall remain in full force and effect as prior to this Amendment Number Four.

IN WITNESS WHEREOF, the Company has caused this Amendment Number Four to be executed on the day and year first above written.

COUNTRYWIDE FINANCIAL CORPORATION

By: /s/ LEORA GOREN

Title: MD, Human Resources

ATTEST:

/s/ GERARD A. HEALY

Title: Assistant Secretary

AMENDMENT NUMBER FIVE TO THE
COUNTRYWIDE FINANCIAL CORPORATION
401(k) SAVINGS AND INVESTMENT PLAN

THIS AMENDMENT is made on this 15 day of June, 2004, by Countrywide Financial Corporation, a corporation duly organized and existing under the laws of the State of Delaware (the "Company").

W I T N E S S E T H:

WHEREAS, the Company maintains the Countrywide Financial Corporation 401(k) Savings and Investment Plan (the "Plan").

WHEREAS, the Company now wishes to amend the Plan primarily to modify the provisions relative to the power to amend the plan to reflect delegation of authority to such person or persons as the Company's Board of Directors deems appropriate.

WHEREAS, this amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment No. 5;

WHEREAS, this Amendment Number 5 shall be effective July 1, 2004.

NOW, THEREFORE, the Company does hereby amend the Plan as follows:

By deleting Section 10.01 and substituting therefor the following:

10.01 General

All Participants who are Eligible Employees shall be eligible to receive loans from their Salary Deferral Contribution Account, Rollover Contribution Account and Employer Contribution Account under the Plan. The Plan Administrator shall prescribe the terms and conditions for making loans to Participants from their Accounts consistent with the provisions of this Article 10, the prohibited transaction exemption requirements of the Code and ERISA, and other applicable law and Appendix B.

By deleting Section 10.03(a), (c) and (d) and substituting therefor the following:

10.03 Loan Terms

(a) A loan to a Participant shall be evidenced by the Participant's recourse promissory note in the form presccribed by the Plan Administrator.

(c) Interest shall be charged on the loan at a reasonable rate to be determined by the Plan Administrator at the time the loan is made.

(d) Loan repayments on principal and interest shall be amortized in level payments over payment periods to be determined by the Plan Administrator in its discretion, but not less frequently than quarterly, over the term of the loan.

By deleting Section 10.06(b) and (c) and substituting therefor:

10.06 Default

(b) Except as otherwise provided in Paragraph (c) below, the Plan Administrator may elect to charge the unpaid loan balance against the Participant's Account other than the ESOP Account whether or not the Partipant has attained age 59-1/2 or terminated employment, and whether or not such charge is on account of any financial hardship of the Participant.

(c) The Plan Administator may not charge any unpaid loan balance against a Participant's Salary Deferral Contribution Account unless the Participant has attained age 59-1/2, has terminated employment, or qualifies for a financial hardship withdrawal in accordance with Sections 11.01 and 11.03

By deleting Section 14.01 and substituting therefor the following:

14.01 Administrator

The Company shall be the "Administrator" of the Plan within the meaning of Section 3(16)(A) of ERISA. The Investment Committee of Employee Benefit Plans is delegated responsibility for the selection of Investment Funds and monitoring performance of the Investment Funds and is a "Named Fiduciary" for purposes of Section 402(a)(2) of ERISA. Such duties shall be performed on behalf of the Company by such persons or committee as may be appointed by the Board of Directors.

By deleting Section 15.01 and substituting therefor the following:

15.01 Amendment

The Company may at any time and from time to time amend the Plan by action of the Board of Directors or by action of any person or persons to whom the authority has been delegated by the Board without the consent of any Trustee, any other Participating Employer, or any Participant or Beneficiary. Such amendment must be adopted in writing by resolution, by such other action permitted by the Company's charter or by-laws, or by such other method permitted by the laws of the state of the Company's incorporation and the Company's procedures..

Notwithstanding the foregoing:

(a) no amendment that materially affects the Trustee's duties shall be effective without the written consent of the Trustee;

(b) no amendment shall cause the Trust Fund to be used other than for the exclusive benefit of Participants and their Beneficiaries; and

(c) no amendment may reduce or eliminate any benefit which is a "Section 411(d)(6) Protected Benefit" except as permitted under applicable Treasury Regulations.

By deleting the first paragraph of Appendix B, page B-1 and substituting therefor the following:

Appendix B—Rules Applying To Participant Loans

The Administrator of the Plan has adopted and maintains the rules and procedures set forth below with respect to plan loans under Article 10 of the Plan.

IN WITNESS WHEREOF, Countrywide Financial Corporation by its proper officers duly authorized by its Board of Directors has caused this Amendment Number Five to be executed on this 23 day of July, 2004.

COUNTRYWIDE FINANCIAL CORPORATION.

/s/ LEORA GOREN
Leora Goren

Managing Director Human Resources

Attest /s/ GERARD A. HEALY
Gerard A. Healy

Assistant Secretary

EX-4.1.6 8 v29820exv4w1w6.htm EXHIBIT 4.1.6

AMENDMENT NUMBER SIX TO THE
COUNTRYWIDE FINANCIAL CORPORATION
401(k) SAVINGS AND INVESTMENT PLAN

THIS AMENDMENT is made on this 27th day of June, 2005, by the Countrywide Financial Corporation Administrative Committee For Employee Benefit Plans (the "Committee").

W I T N E S S E T H:

WHEREAS, Countrywide Financial Corporation maintains the Countrywide Financial Corporation 401(k) Savings and Investment Plan (the "Plan");

WHEREAS, the Committee now wishes to amend the Plan to modify its provisions relating to automatic rollover distributions to comply with § 401(a)(31)(B) of the Internal Revenue Code ("Code") as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. 107-16 ("EGTRRA");

WHEREAS, this amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment Number Six; and

WHEREAS, unless otherwise provided herein, this Amendment Number Six shall be effective for distributions made on and after March 28, 2005:

NOW, THEREFORE, the Committee does hereby amend Section 13.01 in its entirety, as follows:

13.01 Termination of Employment Prior to Age 65

In the event a Participant terminates employment with the Company or an Affiliated Company prior to attaining age 65 for any reason other than death, the Participant shall be entitled to receive a distribution of the vested balance in his or her Account as of any Valuation Date following termination of employment.

(a) Effective March 1, 1999, if the vested balance of the Participant's Account does not exceed $5,000 ($3,500 prior to March 1, 1999), or, for distributions after March 21, 1999, exceeds $5,000 at the time the Participant terminates employment and at a later time is reduced to an amount not greater than $5,000, the Plan shall distribute the Participant's entire nonforfeitable Account balance as soon as practicable.

(b) Effective for distributions made on and after March 28, 2005, if the vested balance of the Participant's Account does not exceed $1,000, or exceeds $1,000 at the time the Participant terminates employment and at a later time is reduced to an amount not greater than $1,000, the Plan shall distribute the Participant's entire nonforfeitable Account balance as soon as practicable.

(c) Effective for distributions made on and after March 28, 2005, in the event that the vested balance of a Participant's Account is greater than $1,000, but does not exceed $5,000 in accordance with the provisions of this Section 13.01, if the Participant does not elect to have such distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover or to receive the distribution directly in accordance with this Section 13.01, then the Administrator will pay the distribution in a direct rollover to an individual retirement plan designated by the Administrator.

(d) If the vested balance of a Participant's Account exceeds $5,000, no distribution will be made without the Participant's prior written consent. If such consent is not given, distribution shall be made as soon as practicable following the earlier of:

i. the date on which the Administrator receives a properly completed distribution election form; or

ii. (A) the earliest practicable date following the Valuation Date following the Participant's termination of employment or (B) the earliest practicable date following the Valuation Date next following his or her 65th birthday, if later, at which time the Participant's nonforfeitable interest shall be automatically paid to him or her.

(e) For purposes of this section for distributions made before March 28, 2005, the value of a Participant's nonforfeitable Account balance shall be determined without regard to that portion of the Account balance that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of Sections 402(c), 403(a)(4), 403(b)(8) 408(d)(3)(A)(ii) and 457(e)(16) of the Code.

Except as specifically amended hereby, the Plan shall remain in full force and effect as prior to this Amendment Number Six.

IN WITNESS WHEREOF, the Committee has caused this Amendment Number Six to be executed on July 5, 2005.

COUNTRYWIDE FINANCIAL CORPORATION
ADMINISTRATIVE COMMITTEE FOR EMPLOYEE BENEFIT PLANS

By: /s/ MARSHALL GATES

Marshall Gates
Senior Managing Director/Chief Administrative Officer

ATTEST:

/s/ GERARD A. HEALY

Title: SVP, Assistant General Counsel

EX-4.1.7 9 v29820exv4w1w7.htm EXHIBIT 4.1.7

AMENDMENT NUMBER SEVEN TO THE
COUNTRYWIDE FINANCIAL CORPORATION
401(k) SAVINGS AND INVESTMENT PLAN

THIS AMENDMENT is made on this 27th day of June, 2005, by the Countrywide Financial Corporation Administrative Committee For Employee Benefit Plans (the "Committee").

W I T N E S S E T H:

WHEREAS, Countrywide Financial Corporation maintains the Countrywide Financial Corporation 401(k) Savings and Investment Plan (the "Plan");

WHEREAS, the Committee now wishes to amend the Plan to provide for service credit and other matters relative to Joint Ventures.

NOW, THEREFORE, the Committee does hereby amend the Plan, effective as of June 27, 2005 to amend Appendix D as attached hereto and incorporated by reference.

Except as specifically amended hereby, the Plan shall remain in full force and effect as prior to this Amendment Number Seven.

IN WITNESS WHEREOF, the Committee has caused this Amendment Number Seven to be executed on July 5, 2005.

COUNTRYWIDE FINANCIAL CORPORATION
ADMINISTRATIVE COMMITTEE FOR
EMPLOYEE BENEFIT PLANS

By: /s/ MARSHALL M. GATES
Marshall Gates
Senior Managing Director/Chief Administrative Officer

ATTEST:

/s/ GERARD A.HEALY

Title: SVP, Assistant General Counsel

APPENDIX D

SPECIAL SERVICE RECOGNITION PROVISIONS AND LOAN ROLLOVERS

The following table sets forth certain corporations or other trades or businesses acquired by the Participating Employer and the degree to which pre-acquisition service shall be recognized hereunder pursuant to section 2.13 hereof and as specified in a resolution of the Board of Directors.

Acquired Company	Recognition of Service	Effective Date
Leshner Financial, Inc.	Pre-acquisition service shall be recognized for purposes of eligibility to participate and vesting.	February 28, 1997
Balboa Life Insurance Company	Pre-acquisition service with Balboa, Textron, AVCO and Associates shall be recognized for purposes of eligibility to participate, vesting and eligibility for matching contributions. Participant loans from the Associates' Savings and Profit Plan are eligible for rollover.	November 30, 1999
1st Plus	Pre-acquisition service shall be recognized only for purposes of eligibility to participate and vesting.	April 1, 2000
Bank One Trust Company National Association	Pre-acquisition service shall be recognized only for purposes of eligibility to participate and vesting.	January 1, 2002
21st Century Insurance Group	Pre-acquisition service shall be recognized only for purposes of eligibility to participate and vesting.	February 4, 2002
Star Mountain Mortgage	Pre-acquisition service shall be recognized only for purposes of eligibility to participate and vesting.	May 9, 2003

Acquired Company	Recognition of Service	Effective Date
Seattle Mortgage Company	Pre-acquisition service shall be recognized only for purposes of eligibility to participate and vesting.	March 1, 2004
First Northwest Mortgage	Pre-acquisition service shall be recognized only for purposes of eligibility to participate and vesting.	February 1, 2005

Special Rules in Connection with Joint Ventures

Notwithstanding any provision of the Plan to the contrary, the following rules shall apply in connection with Joint Ventures.

(a) A Joint Venture is, as determined by the Plan Administrator, in its sole discretion, a joint venture, partnership, strategic alliance or other similar arrangement with a third party.

(b) If a Participant or Eligible Employee is employed by or is transferred by a Participating Employer to a Joint Venture, the following rules apply:

(i) Such Participants who do not request a distribution at the time of employment by or transfer to the Joint Venture and Eligible Employees who are transferred to or employed by a Joint Venture shall be credited with Years of Service and Hours of Service for purposes of determining eligibility to participate under the Plan and vested status under the Plan for all continuous service with the Joint Venture

(ii) If such Participant or Eligible Employee returns to or is rehired directly from the Joint Venture by a Participating Employer as an Eligible Employee, with no intervening employment by an employer unrelated to the Joint Venture, he or she will have immediate eligibility for Employer Contributions if his or her combined prior service with a Participating Employer and service with a Joint Venture satisfy the eligibility requirements therefor.

(iii) If such Participant has an outstanding loan at the time of such employment or transfer, he or she will not be able to repay the loan through payroll deductions, but may continue repayment through other means, as contemplated by the Plan.

EX-4.1.8 10 v29820exv4w1w8.htm EXHIBIT 4.1.8

EIGHTH AMENDMENT TO THE
COUNTRYWIDE FINANCIAL CORPORATION
401(k) SAVINGS AND INVESTMENT PLAN

This Eighth Amendment is made as of this 29th day of December, 2005, by Countywide Financial Corporation (the "Company"), a corporation duly organized and existing under the laws of the State of Delaware.

WITNESSETH:

WHEREAS, the Company maintains the Countrywide Financial Corporation 401(k) Savings and Investment Plan (the "Plan"), as most recently amended and restated by indenture effective as of January 1, 1997.

WHEREAS, the Company wishes to amend the Plan primarily to add enhancements to Participating Employer contributions to mitigate the consequences of freezing participation in the Countrywide Financial Corporation Defined Benefit Pension Plan effective as of the close of business on December 31, 2005.

NOW, THEREFORE, on behalf of the Company, the Board of Directors of the Company does hereby amend the Plan, pursuant to Section 15.01 thereof, effective as of the close of business on December 31, 2005, as follows:

1. By deleting Section 1.01 in its entirety and by substituting therefor the following:

"**1.01** '**Account**' means the entire interest of a Participant in the Trust Fund and shall refer, as the context indicates, to any or all of the following subaccounts:

(a) '**Employer Contribution Account**' means that portion of a Participant's Account attributable to the Employer Matching Contributions, Employer Discretionary Contributions and/or Employer Limited Profit Sharing Contributions made on the eligible Participant's behalf by a Participating Employer, if any, as adjusted for withdrawals and distributions and the earnings, losses and expenses attributable thereto.

(b) '**ESOP Account**' means that portion of a Participant's Account attributable to the transfer of the Participant's account under the Countrywide Credit Industries, Inc. Profit Sharing Stock Ownership Plan, if any, as adjusted for withdrawals and distributions and the earnings, losses and expenses attributable thereto.

(c) '**Rollover Contribution Account**' means that portion of a Participant's Account attributable to a Participant's Rollover Contributions, if any, as adjusted for withdrawals and distributions and the earnings, losses and expenses attributable thereto.

(d) '**Salary Deferral Contribution Account**' means that portion of a Participant's Account attributable to the Salary Deferral Contributions made on a Participant's behalf by a Participating Employer, if any, as adjusted for withdrawals and distributions and the earnings, losses and expenses attributable thereto.

(e) **'QNEC Account**' means that portion of a Participant's Account attributable to QNECs, if any, as adjusted for withdrawals and distributions and the earnings, losses and expenses attributable thereto.

In addition, the Plan Administrator shall allocate the interest of a Participant in any funds transferred to the Plan in a trust-to-trust transfer (other than Rollover Contributions) or pursuant to the merger of another tax-qualified retirement plan with the Plan among the above accounts as the Administrator determines best reflects the interest of the Participant."

2. By deleting Section 1.13 in its entirety and by substituting therefor the following:

"**1.13 'Compensation'** means for any Plan Year a Participant's wages as defined in Section 3401(a) of the Code (for purposes of federal income tax withholding) determined without regard to any rules that limit remuneration included in wages based on the nature or location of the employment or the services performed, subject to the following limitations and exclusions:

(a) including employer contributions made pursuant to a compensation reduction agreement which are not includible in the gross income of a Participant under Sections 125, 402(e)(3), 402(h), or 457 of the Code and for Plan Years beginning on or after January 1, 2001, Section 132(f)(4) of the Code;

(b) excluding any amounts paid as moving expenses, shift differential, call-in pay and any other amounts paid on an irregular or discretionary basis as bonuses or special awards;

(c) excluding any wages paid by reason of services performed (i) prior to the effective date of the Participant's participation in the Plan and (ii) after the Participant ceases to be an Eligible Employee; and

(d) excluding amounts paid to or in respect of Employees who are on international assignment for expenses related directly to such assignment such as allowances and relocation expenses.

The annual compensation of each Participant taken into account in determining allocations for any Plan Year beginning after December 31, 2005 shall not exceed $220,000, as adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code. Annual compensation means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the "determination period"). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

Notwithstanding the foregoing, if, for any Plan Year, the average percentage of Compensation inclusive of shift differential, call-in pay and any other amounts paid on an irregular or discretionary basis as bonuses or special awards included under the foregoing definition of Compensation for Highly Compensated Employees exceeds by more than a de minimis amount the average percentage of Compensation inclusive of shift differential, call-in pay and any other amounts paid on an irregular or discretionary basis as bonuses or special awards included under the foregoing definition of Compensation for Employees who are Non-highly Compensated Employees (as determined in accordance with Treasury Regulations Section 1.414(s)-1(d)(3)), then amounts attributable to shift differential, call-in pay and any other amounts paid on an irregular or discretionary basis as bonuses or special awards shall be included in Compensation for the Plan Year for purposes of determining the allocation of contributions made pursuant to Sections 5.02, 5.02A and 6.06(c)."

3. By substituting the phrase "Salary Deferral Contributions, Employer Matching Contributions, Employer Discretionary Contributions, Employer Limited Profit Sharing Contributions, QNECs and Rollover Contributions" for the phrase "Salary Deferral Contributions, Employer Matching Contributions, Employer Discretionary Contributions, QNECs and Rollover Contributions" where the latter phrase appears in Section 1.15(e).

4. By adding new Section 1.17A, as follows:

"**1.17A** '**Employer Limited Profit Sharing Contributions**' means the contributions made by a Participating Employer on behalf of Participants as described in Section 5.02A."

5. By deleting Section 3.01(b) and by substituting therefor the following:

"(b) Subject to the additional requirements of Article 5, the following provisions apply for purposes of determining a Participant's eligibility to receive allocations of Employer Matching Contributions, Employer Discretionary Contributions and/or Employer Limited Profit Sharing Contributions:

(i) An otherwise eligible Participant shall become eligible to receive allocations of Employer Matching Contributions, Employer Discretionary Contributions and/or Employer Limited Profit Sharing Contributions upon the Entry Date coincident with or next following the date he or she meets the following requirements:

(A) Attainment of age 21; and

(B) Completion of the Employer Contribution Eligibility Period,

if he or she is then a Participant.

(ii) If an individual is not a Participant on the date he or she would otherwise become eligible to receive allocations of Employer Matching Contributions,

Employer Discretionary Contributions and/or Employer Limited Profit Sharing Contributions pursuant to Section 3.01(b)(i), such individual shall become so eligible as of the Entry Date coincident with or immediately following the date thereafter on which he or she becomes a Participant.

(iii) A Participant eligible to receive allocations with respect to Employer Matching Contributions, Employer Discretionary Contributions and/or Employer Limited Profit Sharing Contributions who ceases to be an Eligible Employee by separation from service or otherwise, and who later becomes an Eligible Employee, shall become eligible to receive such allocations as of the Entry Date coincident with or immediately following the date thereafter on which he or she first again completes an Hour of Service."

6. By deleting Section 3.03 and by substituting therefor the following:

"**3.03 Cessation of Eligibility to Participate.**

If a Participant transfers employment to a non-Participating Employer, terminates employment or ceases to be an Eligible Employee, his or her participation in the Plan with respect to Salary Deferral Contributions, Employer Matching Contributions, Employer Discretionary Contributions, Employer Limited Profit Sharing Contributions, and Rollover Contributions will cease as of the date he or she ceases to be an Eligible Employee. After such date, he or she shall continue to be a Participant only with respect to the allocation of earnings, losses and expenses made in accordance with Article 7 until the Balance credited to his or her Account is distributed."

7. By deleting Section 5.02(b) and by substituting therefor the following:

"(b) The amount of the Employer Discretionary Contribution to be allocated to each such Participant's Account for a Plan Year shall be determined by either of the following methods, as selected by the Company in its sole discretion: (i) a uniform dollar amount for each Participant; or (ii) the ratio that such Participant's Compensation for the Plan Year (or for the portion of the Plan Year during which he or she was actually a Participant under Section 3.01(b), if applicable) bears to the Compensation for all such eligible Participants for the Plan Year."

8. By adding new Section 5.02A, as follows:

"**5.02A Employer Limited Profit Sharing Contributions**.

(a) For each Plan Year commencing on and after January 1, 2006, the Company, in its sole discretion, shall determine the amount, if any, of Employer Limited Profit Sharing Contributions to be made on behalf of Otherwise Eligible Participants who are Employees of each Participating Employer.

(b) The amount of the Employer Limited Profit Sharing Contributions to be allocated to each Otherwise Eligible Participant's Account for a Plan Year in the proportion that each such Otherwise Eligible Participant's Compensation for the Plan Year

(or for the portion of the Plan Year during which he or she was actually a Participant under Section 3.01(b), if applicable) bears to the Compensation for all such Otherwise Eligible Participants for the Plan Year.

(c) For purposes of this Section 5.02A, for any Plan Year, an Otherwise Eligible Participant means a Participant who has satisfied the initial eligibility requirements of Section 3.01(b) and who:

(i) falls into any one of the following categories for the Plan Year:

(A) was initially hired by the Company or an Affiliated Company on or after January 1, 2006;

(B) was initially hired by the Company or an Affiliated Company prior to January 1, 2006 but, as of the last day of the Plan Year, had never become a participant in the Countrywide Financial Corporation Defined Benefit Pension Plan; or

(C) ceased to be an active participant in the Countrywide Financial Corporation Defined Benefit Pension Plan in a prior Plan Year as a result of a severance from employment with the Company and its Affiliated Companies and was rehired during the Plan Year (or any prior Plan Year); and

(ii) is classified as an active employee by the Company or an Affiliated Company on the last day of the Plan Year for which the contribution applies.

(d) Employer Limited Profit Sharing Contributions made on behalf of eligible Participants shall be subject to the limitations set forth in Article 6."

9. By deleting Section 5.03 and by substituting therefor the following:

"**5.03 Time of Payment of Contributions**.

Employer Matching Contributions, Employer Discretionary Contributions, Employer Limited Profit Sharing Contributions and/or QNECs shall be paid by a Participating Employer to the Trust Fund at such time or times as may be determined by the Company or Participating Employer, but in no event later than the due date (including extensions) prescribed by law for filing the federal income tax return for the Participating Employer's taxable year for which such contributions are claimed as an income tax deduction."

10. By deleting Section 5.04(a) and by substituting therefor the following:

"(a) Employer Matching Contributions, Employer Discretionary Contributions, Employer Limited Profit Sharing Contributions and/or QNECs to be allocated to Participants who are Employees of a Participating Employer which is an Affiliated Company may be made, at the discretion of the Company, in cash or in

Company Stock issued by the Company or purchased on a national securities exchange."

11. By deleting from Section 6.04(b) the clause ", Employer Discretionary Contributions".

12. By deleting Section 6.09(a) and by substituting therefor the following:

"(a) First, the amount of the Participant's Employer Limited Profit Sharing Contribution, Employer Discretionary Contributions and QNECs, in that order, shall be reduced to the extent that such reduction results in a reduction of the amount by which a Participant's Annual Addition exceeds such limitations."

13 By deleting Section 6.09(f) and by substituting therefor the following:

"(f) Any reduction of Employer Limited Profit Sharing Contributions, Employer Discretionary Contributions, Employer Matching Contributions and/or QNECs shall be held unallocated in a suspense account and applied to reduce employer contributions in succeeding Plan Years in accordance with Section 9.05."

14. By deleting Section 8.03(c) and by substituting therefor the following:

"(c) A Participant's investment election shall remain in effect until the Participant properly makes a change of election in accordance with the procedures established by the Administrator. In the event that any Participant shall not have directed the investment of all or a portion of the balance in his or her Account at any time, the Participant shall be deemed to have directed that such balance be invested in the Plan's default Investment Fund, as designated by the Administrator from time to time, and such assets shall remain in such Investment Fund until such time as the Participant directs otherwise."

15. By deleting Section 9.05(a) and by substituting therefor the following:

"(a) Forfeitures shall be used, at the discretion of the Administrator, to pay administrative expenses of the Plan, to fund QNECs for the current or immediately preceding Plan Year or to reduce the amount of Employer Matching Contributions, Employer Discretionary Contributions and/or Employer Limited Profit Sharing Contributions which are to be made by the Participating Employer for the current or following Plan Year."

16. By deleting Section 13.03 and by substituting therefor the following:

"**13.03 Severance From Employment**.

Effective for distributions made on or after January 1, 2002, a Participant's Account shall become distributable in connection with a Participant's severance from employment. However, any such distribution shall be subject to the other provisions of the Plan regarding distributions, other than provisions that require a separation from service before such amounts may be distributed."

17. By deleting the portion of Appendix D titled “Special Rules in Connection with Joint Ventures” and by substituting therefor the following:

“**Special Rules in Connection with Joint Ventures**

Notwithstanding any provisions of the Plan to the contrary, the following rules shall apply in connection with a joint venture to which the Company or Affiliated Company is a party (a ‘Joint Venture’):

1. A Joint Venture is, as determined by the Administrator, in its sole discretion, a joint venture, partnership, strategic alliance or other similar arrangement with a third party.

2. If a Member or Eligible Employee is employed by or transferred by an Employer to a Joint Venture, the following rules apply:

   (a) Such Participants who do not request a distribution at the time of employment by or transfer to the Joint Venture and Eligible Employees who are transferred to or employed by a Joint Venture shall be credited with Years of Service and Hours of Service for purposes of determining eligibility to participate under the Plan and vested status under the Plan for all continuous service with the Joint Venture.

   (b) If such Participant or Eligible Employee returns to or is rehired directly from the Joint Venture by a Participating Employer as an Eligible Employee, with no intervening employment by an employer unrelated to the Joint Venture, he or she will have immediate eligibility for Employer Matching Contributions, Employer Discretionary Contributions, QNECs and Employer limited Profit Sharing Contributions if his or her combined prior service with a Participating Employer and service with a Joint Venture satisfy the applicable eligibility requirements therefor.

   (c) If such Participant has an outstanding loan at the time of such employment or transfer, he or she will not be able to repay the loan through payroll deductions, but may continue repayment through other means, as contemplated by the Plan.”

Except as specifically amended hereby, the Plan shall remain in full force and effect as prior to this Eighth Amendment.

IN WITNESS WHEREOF, the Company has caused this Eighth Amendment to be executed as of the day and year first above written

Countrywide Financial Corporation

By: /s/ MARSHALL M. GATES
Marshall M. Gates
Senior Managing Director and
Chief Administrative Officer

Attest /s/ GERARD A. HEALY
Gerard A. Healy
Senior Vice President/Asst. General Counsel

NINTH AMENDMENT TO THE
COUNTRYWIDE FINANCIAL CORPORATION
401(k) SAVINGS AND INVESTMENT PLAN

This Ninth Amendment is made effective as of the 1st day of January, 2006, by the Countywide Financial Corporation Administrative Committee For Employee Benefit Plans.

WITNESSETH:

WHEREAS, Countrywide Financial Corporation maintains the Countrywide Financial Corporation 401(k) Savings and Investment Plan (the "Plan"), as most recently amended and restated by indenture effective as of January 1, 1997.

WHEREAS, the Countrywide Financial Corporation Administrative Committee For Employee Benefit Plans ("Committee") wishes to amend the Plan primarily to change the method of crediting service for vesting from actual counting of hours to elapsed time effective as of January 1, 2006.

NOW, THEREFORE, the Committee does hereby amend the Plan, pursuant to Section 15.01 thereof, effective as of January 1, 2006 as follows:

1. By deleting Article 2 in its entirety and substituting therefor:

"**ARTICLE 2**

DEFINITIONS AND RULES FOR DETERMINING SERVICE

2.01 "Approved Absence" means an Employee's approved leave of absence from employment because of illness, disability, pregnancy, educational pursuits, service as a juror, or temporary employment with a government agency, or other leave of absence approved by the Participating Employer or Affiliated Company. An Approved Absence also includes any leave of absence in accordance with the requirements of the Family and Medical Leave Act of 1993. The Participating Employer or Affiliated Company that employs the Employee shall determine the first and last days of any Approved Absence.

2.02 "Break in Service"/"Period of Severance"

(a) For Plan Years beginning prior to January 1, 2006, "Break in Service" means a Plan Year during which an Employee fails to complete more than 501 Hours of Service with the Company or Affiliated Company.

(1) Solely for purposes of determining whether an Employee has a Break in Service, Hours of Service shall be recognized during an Approved Absence or a Maternity or Paternity Leave of Absence. During such absence, the Employee shall be credited with the Hours of Service which would have been credited but for the absence,

or, if such hours cannot be determined, with eight (8) hours per day. Credit shall be given only after the Employee has furnished to the Administrator such timely information as the Administrator may reasonably require to establish that the absence is for a reason described herein.

(2) No more than 501 Hours of Service shall be credited by reason of any one pregnancy or placement. Hours of Service credited shall be credited solely for purposes of determining whether a Break in Service has occurred in a computation period. All Hours of Service credited shall be credited only in the computation period in which the absence from work begins if any of such Hours of Service are required in that computation period to avoid a Break in Service. If none of the Hours of Service credited hereunder are required to avoid a Break in Service in the computation period in which the absence begins, then the Hours of Service will be credited to the next computation period.

(b) For Plan Years beginning on January 1, 2006, the term "Period of Severance" shall be substituted for "Break in Service."

(1) A "Period of Severance" means the period of time commencing on a Severance from Service Date and ending on the date on which the Employee again performs an Hour of Service.

(2) A "One-Year Period of Severance shall mean any 12-consecutive month period beginning on a Severance from Service Date and ending on the first anniversary of such date, provided that the Employee during such 12-consecutive month period fails to perform an Hour of Service.

2.03 "Eligibility Computation Period" means the completion of an Employee's first Hour of Service for the Company or an Affiliated Company coinciding with or immediately following the Employee's Employment Commencement Date.

2.04 "Employer Contribution Eligibility Computation Period" means (a) the 12-consecutive calendar month period beginning with the calendar month in which an Employee's Employment Commencement Date occurs if the Employee has completed 1,000 or more Hours of Service during such period, or (b) in the case of an Employee who fails to complete 1,000 or more Hours of Service during his first Employer Contribution Eligibility Computation Period, any Plan Year commencing after the Employee's Employment Commencement Date during which the Employee completes 1,000 or more Hours of Service.

2.05 "Employment Commencement Date" means the date on which an Employee first performs an Hour of Service.

2.06 "Employment Recommencement Date"

(a) For Plan Years beginning prior to January 1, 2006, "Employment Recommencement Date" means the first day on which an Employee is entitled to be

credited with an Hour of Service for the Participating Employer or an Affiliated Company following a Break in Service.

(b) For Plan Years beginning on January 1, 2006, "Employment Recommencement Commencement Date" means the first date on which the Employee performs an Hour of Service following a Period of Severance.

2.07 "Hour of Service"

(a) For Plan Years beginning prior to January 1, 2006, "Hour of Service" means for an Employee:

(1) Each hour for which an Employee is directly or indirectly paid, or entitled to payment, for the performance of duties for the Participating Employer or an Affiliated Company. Each such hour shall be credited to the Employee for the computation period or periods in which the duties are performed;

(2) Each hour for which an Employee is directly or indirectly paid, or entitled to payment, by the Participating Employer or an Affiliated Company on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence. Each such hour shall be credited to the Employee for the computation period or periods in which such period occurs, subject to the following rules:

a. No more than 501 Hours of Service shall be credited under this paragraph (2) to an Employee on account of any single continuous period during which the Employee performs no duties (whether or not such period occurs in a single computation period), and

b. Hours of Service will not be credited under this paragraph (2) for which payment by the Company or an Affiliated Company is made or due under a plan maintained solely for the purpose of complying with applicable workers' compensation, unemployment compensation, or disability insurance laws or where payment solely reimburses the Employee for medical or medically-related expenses incurred by the Employee; and

(3) Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Participating Employer or an Affiliated Company. The same Hours of Service shall not be credited both under paragraph (1) or paragraph (2), as the case may be, and under this paragraph (3). These hours shall be credited to the Employee for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement, or payment is made.

(4) For Employees for whom the Company or an Affiliated Company does not maintain records sufficient to determine Hours of Service, Hours of

Service shall be credited for each payroll period of the Employee for which the Employee receives or is entitled to receive compensation as follows:

Payroll Period	Hours of Service Credited
(1) Daily	10
(2) Weekly	45
(3) Bi-Weekly	90
(4) Semi-Monthly	95
(5) Monthly	190

(5) Hours of Service will be calculated and credited in a manner consistent with Section 2530.200b-2 of the Department of Labor Regulations which is incorporated herein by reference.

(b) For Plan Years beginning on January 1, 2006, "Hours of Service" means each hour for which an Employee is directly or indirectly paid, or entitled to payment, for the performance of duties for the Company or an Affiliated Company. Each such hour shall be credited to the Employee for the Computation Period or Periods in which the duties are performed.

2.08 "Maternity or Paternity Leave of Absence" means an Approved Absence from work by reason of the Employee's pregnancy, birth of a child of the Employee, placement of a child with the Employee in connection with adoption, or any absence for purposes of caring for such a child for a period immediately following such birth or placement.

2.09 "Severance from Service Date" means the earlier of: (i) the date on which an Employee quits, retires, is discharged or dies; or (ii) the first anniversary of the first date of a period in which an employee remains absent from service (with or without pay) with the Company or an Affiliated Company for any reason other than quit, retirement, discharge or death, such as vacation, holiday, sickness, disability, Approved Absence or layoff. Notwithstanding the foregoing, solely for purposes of determining whether an Employee has experienced a One-Year Period of Severance, the Severance from Service date for an Employee who remains absent from service beyond the first anniversary of the first date of a period of absence that is a Maternity or Paternity Leave of Absence means the second anniversary of the first date of the absence.

2.10 "Year of Service"/"Period of Service"

(a) For Plan Years beginning before January 1, 2006, "Year of Service" means:

(1) For purposes of determining an Employee's vested status under the Plan, any Plan Year during which the Employee is credited with at least 1,000 Hours of Service with the Participating Employer or an Affiliated Company; and

(2) For purpose of determining an Employee's eligibility to participate under the Plan, the twelve month period commencing on the date an Employee first completed an Hour of Service with the Participating Employer or an Affiliated Company, or any Plan Year during which an Employee is credited with at least 1,000 Hours of Service with the Participating Employer or an Affiliated Company.

Except as authorized by the Company, an Employee shall not receive credit for any Years of Service with an Affiliated Company prior to the date on which such company first became an Affiliated Company.

(b) For Plan Years beginning on January 1, 2006, for purposes of determining an Employee's vested status under the Plan, the term "Period of Service" means a period of service commencing on the Employee's Employment Commencement Date or Employment Recommencement Date, whichever is applicable, and ending on the Severance from Service Date.

2.11 Rules for Crediting Service for Vesting

(a) For Plan Years beginning prior to January 1, 2006, if a Participant is reemployed by the Participating Employer or an Affiliated Company after a Break in Service, the following special rules shall apply in determining the Participant's Years of Service for the purpose of crediting service for vesting:

(1) In the case of a Participant who is reemployed before the occurrence of five (5) consecutive Breaks in Service:

a. Years of Service completed prior to such break will not be taken into account until the Participant has completed a Year of Service following his or her Employment Recommencement Date; and

b. both pre-break and post-break Years of Service will count in vesting his or her pre-break and post-break Account balances.

(2) In the case of a Participant who is reemployed after the occurrence of five (5) or more consecutive Breaks in Service (or who is reemployed prior to such occurrence but does not make the repayment provided for in Section 9.04):

a. separate Employer Contribution Accounts will be maintained to reflect the Participant's pre-break and post-break Account balances; and

b. all Years of Service after such Breaks in Service will be disregarded for the purposes of vesting the pre-break Account balance, but both pre-break and post-break Years of Service will count for purposes of vesting the Account balance that accrues after such break.

(b) For Plan Years beginning on January 1, 2006, the following rules shall apply for the purpose of crediting service for vesting:

(1) A Participant shall be credited with a number of years of service for vesting equal to the number of whole years of Periods of Service, whether or not consecutive. For purposes of this rule, less than whole years will be aggregated on the basis that 12 months of service (30 days are deemed to be a month in the case of fractional months), or 365 days shall equal a whole year of service. Any remaining less than whole year, 12-month or 365-day period of service will be disregarded.

(2) If a Participant severs from service by reason of a quit, discharge or retirement and then performs an Hour of Service within 12 months of the Severance from Service Date, the Period of Severance shall be credited.

(3) If a Participant severs from service by reason of a quit, discharge or retirement during an absence from service of 12 months or less for any reason for any reason other than a quit, discharge, retirement or death and then performs an Hour of Service within 12 months of the date on which the Participant was first absent from service, the Period of Severance shall be credited.

(4) In the case of a nonvested Participant who incurs five (5) or more One-Year Periods of Severance, the Period of Service completed before such Periods of Severance shall not be credited for vesting purposes.

(5) If a Participant is vested and is reemployed by a Participating Employer or an Affiliated Company after a Period of Severance, and if the Employment Recommencement Date occurs either after five (5) or more consecutive One Year Periods of Severance, and the Participant did not request a distribution, or occurs prior to five (5) or more consecutive One Year Periods of Severance, and the Participant does not make the repayment provided for in Section 9.04, Periods of Service completed prior to such severance will be credited upon the Employment Recommencement Date.

(c) Notwithstanding the provisions of Section 2.11(b), the following additional rules shall apply for the purpose of crediting service for vesting. For the Plan Year beginning January 1, 2006, a Participant shall be credited with service equal to the greater of (i) the Period of Service that would be credited under Section 2.11(b) for the Employee's service from January 1, 2006 through September 28, 2006, or (ii) the service that would be credited to the Employee under Section 2.11(a) for the Plan Year beginning January 1, 2006. If Section 2.11(b)(2) applies to an Employee, that Employee's service shall be calculated under Section 2.11(b) commencing January 1, 2007, unless, without regard to this Section 2.11(c), the Employee's Period of Service would be greater if the Employee's service were calculated under Section 2.11(b) commencing January 1, 2006.

2. By deleting Section 3.02 in its entirety and substituting therefor:

"**3.02 Break in Service/Period of Severance.**

(a) If an Eligible Employee incurs a Break in Service, or for Plan Years beginning on January 1, 2006, a Period of Severance, before he or she becomes

eligible to participate in the Plan and he or she later is reemployed as an Eligible Employee, he or she shall be treated as a new Employee at the time of his or her reemployment for purposes of the participation requirements.

(b) If an Eligible Employee incurs a Break in Service, or for Plan Years beginning on January 1, 2006, a Period of Severance after he or she becomes eligible to participate in the Plan and he or she later is reemployed as an Eligible Employee, he or she shall become a Participant in the Plan commencing on the Entry Date coincident with or immediately following his or her Employment Recommencement Date."

3. By amending Section 9.02(b) to read:

"(b) If a Participant's termination of employment occurs before age 65 for any reason other than Total Disability or death, the Participant's vested interest in his or her Employer Contribution Account shall be determined in accordance with the following schedule:

Years of Service/ Period of Service (in years)	Vested Interest
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%"

4. By deleting Section 9.03 in its entirety and substituting therefor:

"**9.03 Forfeiture.**

If (a) a Participant terminates employment and receives (or is deemed to receive) a distribution of his or her entire vested account balance, or (b) a Participant incurs five (5) consecutive Breaks in Service or for Plan Years beginning on January 1, 2006 five (5) consecutive One Year Periods of Severance, then the nonvested portion of his or her Employer Contribution Account will be treated as a forfeiture. For purposes of this Section 9.03, if the value of a Participant's vested account balance is zero, then such Participant shall be deemed to have received a distribution of his or her entire vested account balance as of the date of his or her termination of employment."

5. By deleting Section 9.06 in its entirety and substituting therefor:

"**9.06 Change in Vesting Schedule.**

If the Plan's vesting schedule is amended, or the Plan is amended in any way that directly or indirectly affects the calculation of a Participant's vested interest in his or her Employer Contribution Account, each Participant with at least three (3) years of service may elect to have his or her vested interest calculated under the Plan without regard to such amendment or change. A Participant's election under this Section 9.06 must be made during the period beginning with the date the amendment is adopted or deemed to be made and ending on the latest of:

(a) sixty (60) days after the amendment is adopted;

(b) sixty (60) days after the amendment becomes effective; or

(c) sixty (60) days after the Participant is issued written notice of the amendment by the Company."

6. By amending Section (b)(i) of Appendix D titled "Special Rules in Connection with Joint Ventures" as follows:

"(i) Such Participants who do not request a distribution at the time of employment by or transfer to the Joint Venture and Eligible Employees who are transferred to or employed by a Joint Venture shall be credited with Years of Service and Hours of Service and, for Plan Years beginning on January 1, 2006, Periods of Service,

for purposes of determining eligibility to participate under the Plan and vested status under the Plan for all continuous service with the Joint Venture."

IN WITNESS WHEREOF, the Company has caused this Ninth Amendment to be executed as of the day and year first above written.

Countrywide Financial Corporation

By: /s/ MARSHALL M. GATES
Marshall M. Gates
Senior Managing Director and
Chief Administrative Officer

Attest /s/ GERARD A. HEALY
Gerard A. Healy
Senior Vice President/Asst. General Counsel

TENTH AMENDMENT TO THE
COUNTRYWIDE FINANCIAL CORPORATION
401(k) SAVINGS AND INVESTMENT PLAN

This Tenth Amendment is made on June 6, 2006, effective as of the 1st day of January, 2006, by the Countywide Financial Corporation Administrative Committee For Employee Benefit Plans.

WITNESSETH:

WHEREAS, Countrywide Financial Corporation maintains the Countrywide Financial Corporation 401(k) Savings and Investment Plan (the "Plan"), as most recently amended and restated by indenture effective as of January 1, 1997.

WHEREAS, the Countrywide Financial Corporation Administrative Committee For Employee Benefit Plans ("Committee") wishes to amend the Plan effective as of January 1, 2006 primarily to permit in-service distributions for participants who have attained age 59-1/2.

NOW, THEREFORE, the Committee does hereby amend the Plan, pursuant to Section 15.01 thereof, effective as of January 1, 2006 as follows:

By deleting Section 11.02 in its entirety and substituting therefor:

11.02 Withdrawals After Age 59-1/2

A Participant who has attained age 59-1/2 may, in the form and manner prescribed by the Administrator, obtain a distribution of part or all of the vested balance of his or her Plan Account.

IN WITNESS WHEREOF, the Committee has caused this Tenth Amendment to be executed as of the day and year first above written.

Countrywide Financial Corporation Administrative
Committee For Employee Benefit Plans

By: /s/ MARSHALL M. GATES
Marshall M. Gates
Senior Managing Director and
Chief Administrative Officer

Attest /s/ GERARD A. HEALY
Gerard A. Healy
Senior Vice President/Asst. General Counsel

EXHIBIT 4.1.11

ELEVENTH AMENDMENT TO THE
COUNTRYWIDE FINANCIAL CORPORATION
401(k) SAVINGS AND INVESTMENT PLAN

This Eleventh Amendment is made on November 2, 2006, effective as of the dates specified below, by the Countywide Financial Corporation Administrative Committee For Employee Benefit Plans.

WITNESSETH:

WHEREAS, Countrywide Financial Corporation maintains the Countrywide Financial Corporation 401(k) Savings and Investment Plan (the "Plan"), as most recently amended and restated by indenture effective as of January 1, 1997.

WHEREAS, the Countrywide Financial Corporation Administrative Committee For Employee Benefit Plans ("Committee") wishes to amend the Plan effective as of the dates specified below.

NOW, THEREFORE, the Committee does hereby amend the Plan, pursuant to Section 15.01 thereof, effective as of the dates specified below, as follows:

1. By deleting Section 5.04(a) in its entirety and by substituting therefor the following:

"**5.04 Form of Contributions**.

(a) Employer Discretionary Contributions to be allocated to Participants who are Employees of the Company or a Participating Employer which is an Affiliated Company may be made, at the discretion of the Company, in cash or in Company Stock issued by the Company or purchased on a national securities exchange. Employer Matching Contributions to be allocated to Participants who are Employees of the Company or a Participating Employer which is an Affiliated Company will be made, effective for contributions made on and after October 1, 2006 in Company Stock issued by the Company or purchased on a national securities exchange. Limited Profit Sharing Contributions to be allocated to Participants who are Employees of the Company or a Participating Employer which is an Affiliated Company will be made, effective for contributions made on and after October 1, 2006 in cash."

2. By deleting existing subsection (ii) to Section 5.04(b) as follows:

"(ii) For contributions made on and after January 1, 2007, the value of Company Stock which is issued by the Company for the purposes of contributing it to the Plan shall be the closing price for the last business day of the period for which the contribution is being made."

3. By deleting Section 6.06(a) in its entirety and by substituting therefor the following:

“6.06 Correction of Excess Salary Deferral Contributions and Excess Employer Matching Contributions.

Effective for Plan Years beginning on and after January 1, 2006, in the event that any of the limitations set forth in Sections 6.03, 6.04, and 6.05 are exceeded for any Plan Year, the Administrator shall take one or more (either alone or in combination) of the following corrective actions no later than the last day of the following Plan Year:

(a) If the Salary Deferral Contributions contributed on behalf of any Highly Compensated Employee exceed the amount permitted under the ‘actual deferral percentage’ test described in Section 6.03 for any given Plan Year, then before the end of the Plan Year following the Plan Year for which the excess Salary Deferral Contribution was made, the portion of the excess Salary Deferral Contribution for the Plan Year attributable to a Highly Compensated Employee, as adjusted in accordance with applicable Treasury Regulations to reflect income, gain, or loss attributable to it for the Plan Year for which the test is being performed and for the period between the end of such Plan Year and the date on which the excess Salary Deferral Contribution is distributed to the Participant and reduced by any excess Salary Deferral Contributions as determined pursuant to Section 6.02 previously distributed to a Participant for the Participant’s taxable year ending with or within the Plan Year, may be distributed to the Highly Compensated Employee. The amount of a Participant’s excess Salary Deferral Contributions shall be determined in accordance with Section 401(k)(8)(b) of the Code and the regulations thereunder. Such excess shall be distributed beginning with the Highly Compensated Employee with the largest Salary Deferral Contribution percentage amount and continuing in descending order until the excess Salary Deferral Contributions have been distributed.

The income, gain, or loss allocable to such excess Salary Deferral Contributions shall be determined in a similar manner as described in Section 7.02 or in any other manner permitted by applicable Treasury Regulations. The amount of the excess Salary Deferral Contributions to be distributed shall be reduced by the amount of any Salary Deferral Contributions previously distributed for the taxable year ending in the same Plan Year, and shall also be reduced by the amount of any Salary Deferral Contributions previously distributed for the Plan Year beginning in such taxable year. The portion of the Employer Matching Contribution on which such excess Salary Deferral Contribution was based shall be forfeited upon the distribution of such excess Salary Deferral Contribution.

Notwithstanding the foregoing, if the Plan satisfies the actual deferral percentage test through correction by distribution of excess Salary Deferral Contributions for any Plan Year, any excess Salary Deferral Contributions attributable to a Highly Compensated Employee who is eligible to make catch-up contributions pursuant

to Section 4.01(b), subject to the limitations of Code Section 414(v), shall be retained in the Plan and treated as catch-up contributions under the Plan. To the extent that the excess Salary Deferral Contributions would exceed the applicable dollar amount specified in Code Section 414(v), as adjusted, such amount shall be distributed in accordance with Section 6.02(b)."

4. By deleting Section 6.06(c) in its entirety and by substituting therefor the following:

"(c) Effective for Plan Years beginning on and after January 1, 2006, to the extent permitted under the Code and applicable Treasury Regulations, within twelve (12) months after the close of a Plan Year (or within such greater time if permitted by the Internal Revenue Service), the Participating Employer, in its sole discretion, may make QNECs on behalf of all or one-half (the half with the lowest contribution percentages) of the Non-highly Compensated Employees who are employed on the last day of the Plan Year to be allocated to their QNEC Accounts in an amount sufficient to satisfy one or both of the tests set forth in Sections 6.03 and 6.04. For any such Plan Year, the Administrator shall designate whether QNECs contributed by a Participating Employer are to be used to satisfy the test under Section 6.03 or under Section 6.04 or, if both, the portion of QNECs to be applied towards satisfaction of each test. The allocation of QNECs to eligible Participants who are Non-highly Compensated Employees with respect to either the test under Section 6.03 or the test under Section 6.04 shall be equal to the Participant's Compensation multiplied by a uniform percentage not to exceed the greater of five percent (5%) or two (2) times the Plan's 'representative contribution rate', as defined under Treasury Regulation Section 1.401(k)-2(a)(6)(iv)(B)."

5. By amending Section 8.03 to add a new subsection (e) as follows:

"(e) Effective October 17, 2006, Participants may direct the investment of Employer Matching Contributions or other Employer Contributions that are made to the Employer Contribution Account in Company Stock, whether or not such contributions have vested in accordance with Section 9.02."

6. By deleting Section 8.04(c) in its entirety and by substituting therefor the following:

"(c) Effective December 1, 2006, a Participant's investment direction of any Salary Deferral Contributions or Rollover Contributions into Company Stock may not exceed 50 percent (50%) of such Contributions.. A Participant may change his investment election with respect to existing investments in Company Stock in his or her Account, provided that at the time of such change, including exchanges from other available investment options, the value of the Participant's investment in Company Stock shall not exceed fifty percent (50%) of the total value of the Account. In the event that the value of the Participant's investment in Company Stock exceeds fifty percent (50%) of the total value of the Account, he or she may

not exchange out of other existing investment options into Company Stock until the investment in Company Stock no longer exceeds fifty percent (50%) of the total value of the Account.

7. By deleting Section 11.01(a) in its entirety and by substituting therefor the following:

“11.01 Financial Hardship.

Upon evidence of “hardship” satisfactory to the Administrator, a Participant may, in the form and manner prescribed by the Administrator, withdraw in cash that part of the balance in his or her Salary Deferral Contribution Account (but excluding any income allocable to Salary Deferral Contributions) which the Administrator determines is needed by the Participant on account of such hardship. For this purpose, “hardship” shall mean immediate and heavy financial need of the Participant that cannot be met by other reasonably available financial resources of the Participant. The Administrator’s determination as to whether a hardship exists and the amount necessary to be distributed in the event of such hardship shall be made in accordance with the following rules:

(a) Effective for Plan Years beginning on and after January 1, 2006, the determination of whether an immediate and heavy financial need exists shall be made in the Administrator’s discretion (which shall be exercised in a uniform and nondiscriminatory manner). , Such financial need is limited to:

(i) Expenses for (or necessary to obtain) medical care that would be deductible under section 213(a) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income);

(ii) Costs directly related to the purchase of a principal residence for the employee (excluding mortgage payments);

(iii) Payment of tuition, related educational fees, and room and board expenses, for up to the next 12 months of post-secondary education for the employee, or the employee’s spouse, children, or dependents (as defined in section 152, and, for taxable years beginning on or after January 1, 2005, without regard to section 152(b)(1), (b)(2) and (d)(1)(B));

(iv) Payments necessary to prevent the eviction of the employee from the employee’s principal residence or foreclosure on the mortgage on that residence;

(v) Payments for burial or funeral expenses for the employee’s deceased parent, spouse, children or dependents (as defined in section 152, and, for taxable years beginning on or after January 1, 2005, without regard to section 152(d)(1)(B)); or

(vi) Expenses for the repair of damage to the employee's principal residence that would qualify for the casualty deduction under section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income).

(vii) Any other contingency determined by the Internal Revenue Service to constitute an 'immediate and heavy financial need' within the meaning of Treasury Regulations Section 1.401(k)-1(d)."

8. By deleting Section 11.01(c)(iv) effective January 1, 2002.

9. By amending Section 14.01 in its entirety and substituting therefor:

"14.01 Administrator

The Countrywide Financial Corporation Administrative Committee For Employee Benefit Plans shall be the "Administrator" of the Plan within the meaning of Section 3(16)(A) of ERISA. The Investment Committee of Employee Benefit Plans is delegated responsibility for the selection of Investment Funds and monitoring performance of the Investment Funds and is a "Named Fiduciary" for purposes of Section 402 (a)(2) of ERISA."

10. By deleting Appendix B, entitled "Rules Applying to Participant Loans" in its entirety, effective January 1, 2006.

IN WITNESS WHEREOF, the Committee has caused this Eleventh Amendment to be executed as of the day and year first above written.

Countrywide Financial Corporation Administrative
Committee For Employee Benefit Plans

By: /s/ MARSHALL M. GATES
Marshall M. Gates
Senior Managing Director and
Chief Administrative Officer

Attest /s/ GERARD A. HEALY
Gerard A. Healy
Senior Vice President/Asst. General Counsel

TWELFTH AMENDMENT TO THE
COUNTRYWIDE FINANCIAL CORPORATION
401(k) SAVINGS AND INVESTMENT PLAN

This Twelfth Amendment is made as of this 20th day of December, 2006, by Countywide Financial Corporation (the "Company"), a corporation duly organized and existing under the laws of the State of Delaware.

WITNESSETH:

WHEREAS, the Company maintains the Countrywide Financial Corporation 401(k) Savings and Investment Plan (the "Plan"), as most recently amended and restated by indenture effective as of January 1, 1997.

WHEREAS, the Company wishes to amend the Plan relative to Joint Venture Service.

NOW, THEREFORE, on behalf of the Company, the Board of Directors of the Company does hereby amend the Plan, pursuant to Section 15.01 thereof, effective as of January 1, 2006 as follows:

By deleting the portion of Appendix D titled "Special Rules in Connection with Joint Ventures" and by substituting therefor the following:

"**Special Rules in Connection with Joint Ventures**

Notwithstanding any provisions of the Plan to the contrary, the following rules shall apply in connection with a joint venture to which the Company or Affiliated Company is a party (a 'Joint Venture'):

1. A Joint Venture is, as determined by the Administrator in its sole discretion, a joint venture, partnership, strategic alliance or other similar arrangement with a third party.

2. If a Member or Eligible Employee is employed by or transferred by an Employer to a Joint Venture, the following rules apply:

   (a) Such Participants who do not request a distribution at the time of employment by or transfer to the Joint Venture and Eligible Employees who are transferred to or employed by a Joint Venture shall be credited with Years of Service and Hours of Service for purposes of determining eligibility to participate under the Plan and vested status under the Plan for all continuous service with the Joint Venture.

   (b) If such Participant or Eligible Employee returns to or is rehired directly from the Joint Venture by a Participating Employer as an Eligible Employee, with no intervening employment by an employer unrelated to the Joint Venture, he or she will have immediate eligibility for Employer

Matching Contributions, Employer Discretionary Contributions, QNECs and Employer limited Profit Sharing Contributions if his or her combined prior service with a Participating Employer and service with a Joint Venture satisfy the applicable eligibility requirements therefor.

(c) If such Participant has an outstanding loan at the time of such employment or transfer, he or she will not be able to repay the loan through payroll deductions, but may continue repayment through other means, as contemplated by the Plan.

3. Employees of Countrywide KB Homes hired by an Employer on and after January 1, 2006 shall be credited with Years of Service and Hours of Service for purposes of determining eligibility to participate under the Plan, eligibility for Employer Matching Contributions and for Employer Limited Profit Sharing Contributions, and vested status under the Plan based on their service date on record with Countrywide KB Homes."

Except as specifically amended hereby, the Plan shall remain in full force and effect as prior to this Twelfth Amendment.

IN WITNESS WHEREOF, the Company has caused this Twelfth Amendment to be executed as of the day and year first above written.

Countrywide Financial Corporation

By: /s/ MARSHALL M. GATES
Marshall M. Gates
Senior Managing Director and
Chief Administrative Officer

Attest /s/ LORI J. SHEAD
Lori J. Shead
First Vice President and Senior Counsel

EXHIBIT B

COUNTRYWIDE FINANCIAL CORPORATION

STATEMENT OF INVESTMENT OBJECTIVES AND POLICIES FOR THE 401(K) SAVINGS AND INVESTMENT PLAN

July 7, 2003

INTRODUCTION

Countrywide Financial Corporation (the "Company") provides a salary deferral 401(k) plan as a retirement vehicle for employees; the Countrywide Credit Industries, Inc. 401(k) Savings and Investment Plan (hereinafter referred to as the "Plan"). The Investment Committee (the "Committee") has been appointed to oversee the investments of the Plans. This document is intended to set forth the framework for the investment management of the Plans.

The Plan is a tax deferred savings plan that is governed by Section 401(k) of the Internal Revenue Code. The Plan does not promise benefits in relation to final earnings or any other factor. Investment risk is borne entirely by participants, who are responsible for accumulating assets based upon their individual contributions, and in certain cases contributions by the Company, and their individual selection of investment options.

OBJECTIVES

I. The primary objective of the Committee is to provide an array of diverse investment options that enables Plan participants to select investments or groups of investments that have various return and risk characteristics to meet their individual retirement goals.

II. Further, the Committee desires to provide Plan participants with sufficient education on asset allocation, diversification, risk tolerance, and long term and short term planning, so that participants may make reasoned, logical, decisions regarding their individual investment program within the Plan.

III. The Committee, additionally, desires to monitor the progress of each investment option to determine compliance with established goals and objectives.

IV. It is the Committee's intention that the Plan operate in compliance with all existing laws and regulations governing the management and operation of retirement plans, including, but not limited to, the Employee Retirement Income Security Act ("ERISA") of 1974 as it may be amended.

POLICIES

In order to achieve the above objectives, the investment policy guidelines outlined below will be utilized. The Company is the "Administrator" and "Named Fiduciary" of the Plan. However, the Compensation Committee of the Board of Directors has ***delegated to the Committee, the authority and powers to for selection of investment funds and monitoring performance of investment funds and is a "Named Fiduciary" for this purpose. Moreover, the Committee may set all policies, retain outside administrators, consultants and advisors, and hire and fire investment advisors for the Plan.*** T he Committee has been empowered to ensure that the Plan's practices are consistent with the policies set forth in this document.

In administering the Plan, the Committee will seek to select providers that combine the lowest possible cost consistent with high quality service. The costs include, but are not limited to, management and recordkeeping fees, consulting fees, and other administrative costs chargeable to the Plan.

Human Resources Department Responsibilities

The Committee or the Administrative Committee for Employee Benefits Plans has delegated certain responsibilities to the Company's Human Resources department ("HR"). The HR department is responsible for the following:

1. Maintaining or overseeing the maintenance of the basic records necessary to establish the rights of the participants, including the cumulative contributions within each participant's account.
2. Reporting and disclosure requirements of the Plan and interpretation of Plan provisions whenever necessary.
3. Maintaining or overseeing the maintenance of participant education materials and programs.
4. Communication of changes in Plan provisions and investment options to participants.
5. Implementation of investment fund guidelines and monitoring procedures.
6. Implementation of investment fund selection and termination procedures.
7. Review and recommendations on the selection or retention of any independent fiduciary or consultant to provide Plan administration and recordkeeping, Plan design evaluation, investment fund evaluation, and performance measurement evaluation services.

Investment Options

The Committee shall ensure that a sufficient number of investment options are provided such t hat p articipants w ill b e a ble t o s tructure an indiv idual inv estment p rogram t hat spans a broad spectrum of return and risk. In so doing the Committee shall consider providing the following:

1. The provision of both active and passive (index fund) alternatives to various asset categories.
2. The provision of U.S. and non-U.S. investment options.
3. The consideration of both value and growth style U.S. equity options.

4. The consideration of large and small capitalization U.S. equity options.
5. The provision of a broadly diversified investment vehicle or vehicles designed for participants who may not be willing, or able, to design their own individual investment portfolios.
6. The provision of a broadly diversified U.S. fixed income portfolio.
7. The provision of a "stable value" investment option for those participants desiring principal value stability and steady income.
8. The provision of high risk, high return investment options for participants who have a high tolerance for short-term volatility in exchange for long term higher return.
9. The provision of lower risk, lower volatility investment options for participants desiring protection in declining markets.

The selection of U.S. equity funds should be designed to create a prudent level of equity diversification by providing core equity components and a combination of several more specialty equity funds. Duplication among the group of equity funds should be minimized. Maximum diversification results from having funds representing a variety of investment philosophies and techniques. The responsibility for individual security selection shall rest with each investment fund manager.

When assessing the suitability of specific investment funds for the Plan, the committee shall take into account such criteria as the stability and experience of the sponsor firm, the tenure of the investment professionals, the trueness and consistency of the investment style and philosophy, the track record of the strategy, and the reasonableness of the investment fees. Other c riteria may be considered especially for specialty investment categories.

Investment Reviews

The investment funds shall be reviewed quarterly by the HR department and the investment consultant, if one is retained, or more often, if necessary, to ensure that the policy guidelines continue to be appropriate and are being met.

The HR department shall ensure that the outside administrator/recordkeeper is providing timely information to the Committee and the investment consultant, if one is retained, such that performance may be compared on both absolute and comparative bases.

Performance Objectives and Monitoring

Relative performance objectives will be established for each investment fund option. These objectives will be based on the funds' risk posture and investment style. Funds will be expected to meet style oriented objectives over one to three year periods while meeting broader asset class objectives over three to five year periods.

Investment fund performance and risk levels will be monitored and evaluated quarterly by the recordkeeper, administrator, or investment consultant, if one is retained, to ensure conformity to policies and restrictions and the achievement of investment results substantially within expectation. Formal meetings may be held with each fund manager on a periodic basis if the Committee or HR department believes such a meeting would be

productive. Performance results and other pertinent information will be presented periodically to the Committee for review.

Watch List

Investment funds that fail to meet established objectives over the aforementioned time periods shall be placed on a "watch list." These objectives may be performance or style related. Once and investment fund is formally placed on the watch list, the Committee shall allow a maximum of three quarters for the investment fund to achieve results in line with objectives. Any fund that does not achieve either performance or style objectives within the specified time period shall be subject to elimination as an investment option for the Plan. The Committee, the HR department, or the investment consultant, if one is retained, may request that an investment fund be placed on the watch list. The Committee, however, retains the right to formally place any investment fund on the watch list. Further, the Committee also retains the right to remove an investment fund from the watch list.

In considering the elimination of any investment fund as an investment option, the Committee may consider both investment as well as non-investment factors. Investment factors relate to meeting performance benchmarks or straying from stipulated investment style. Non-investment factors may range from and relate to organizational developments within the investment managers' organization or to considerations at the Plan level of the number of participants and/or total dollars invested in the investment fund.

Objectives and Policies Amendments

The Committee may amend this Statement of Investment Objectives and Policies at any time. The HR department shall maintain a formal record of any such amendments.

EXHIBIT C

COUNTRYWIDE FINANCIAL CORPORATION

COMPENSATION COMMITTEE CHARTER
(as amended and restated through September 27, 2006)

Purpose

The purpose of the Compensation Committee (the "Committee") of Countrywide Financial Corporation (the "Company") is to discharge the responsibilities of the Board of Directors (the "Board") relating to the compensation of the Company's Directors, executives and employees.

The Committee shall prepare the Compensation Committee Report on Executive Compensation for inclusion in the annual stockholders' meeting proxy statement.

Organization

The members of the Committee shall be appointed by the Board and each shall be:

- independent as determined by the Board within the meaning of applicable law and stock exchange listing standards and rules and any independence standards adopted by the Board;
- a "non-employee director" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended; and
- an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Committee shall be comprised of at least three members. Committee members may be removed by the Board.

The Committee shall annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval. The Committee shall annually evaluate the Committee's own performance. The Committee shall make regular reports to the Board.

The Committee has the power to determine the level and cost of ordinary administrative expenses necessary or appropriate in carrying out its duties, with such costs to be borne by the Company.

Meetings

The Committee shall meet at least quarterly and shall meet periodically in separate executive sessions. The Committee may request any Company officer or employee or outside counsel or consultants to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

Advisors

In discharging its duties and responsibilities, the Committee shall have the resources and sole authority to engage or terminate any outside consultant to be used to assist in the evaluation of Director or senior executive compensation and to approve the terms and fees of any such engagement. In addition, the Committee has the power, in its sole discretion, to obtain advice and assistance from, and to retain at the Company's expense, or terminate the engagement of, such independent or outside legal counsel, accounting or other advisors and experts as it determines necessary or appropriate to carry out its duties, and in connection therewith to receive appropriate funding, determined by it, from the Company. The Committee may seek the assistance of the Company's Human Resources Department.

Delegation

The Committee may delegate any of its responsibilities that do not, under applicable law, rules, regulations or stock exchange listing standards, require approval of the Committee as a whole, to a subcommittee comprised of one or more members of the Committee or to one or more members of management.

Duties and Responsibilities

The Committee, to the extent it deems necessary or appropriate, shall perform the duties and responsibilities set forth below. The Committee shall also carry out such other duties that may be delegated to it by the Board from time to time.

1. *Compensation Structure*. The Committee shall oversee and evaluate the Company's overall compensation structure, policies and programs, and assess whether these establish appropriate incentives for management and other employees.

2. *CEO and Executive Officer Compensation*. The Committee shall review and approve corporate goals and objectives relevant to the compensation of the Company's Chief Executive Officer ("CEO") and its other executive officers who are required to file reports under Section 16 of the Securities Exchange Act of 1934 (collectively, the "executive officers") in accordance with its Compensation Philosophy (the "Philosophy"), evaluate the performance of the CEO and other executive officers in light of those goals, objectives and Philosophy, and have the sole authority to determine and approve the compensation of the CEO and the other executive officers, including salaries, bonuses, stock options, other stock incentive awards and long-term cash incentive awards based on this evaluation.

   In determining long-term incentive compensation of the CEO and executive officers, the Committee shall consider, among other factors, the Company's performance, the individual's performance, relative stockholder return, the value of similar incentive awards to individuals at these positions at comparable companies and the awards given to the CEO and executive officers in past years.

3. *Succession Planning*. The Committee shall review and recommend to the Board a succession plan for the Chairman and CEO.

4. *Employment Contracts*. The Committee shall approve and implement the terms and conditions of any employment contracts or severance arrangements between the Company and any executive officer of the Company, including any amendments to said contracts or arrangements.

5. *Equity Plans*. The Committee shall oversee the administration of the Company's stock equity plans including, but not limited to, awarding stock options and restricted stock to nonemployee directors, officers and employees of the Company and its subsidiaries. The Committee shall also review and recommend that the Board approve any such plans, including any amendments to those plans, which are subject to required stockholder approval. The Committee may delegate to one or more officers designated by the Committee the authority to make grants to eligible individuals (other than any such officer) who are not executive officers, provided that the Committee shall have fixed the price (or a formula for determining the price), the maximum number to be awarded, the date of grant and reviewed and approved the award agreement associated with such options and/or restricted stock. Any officer to whom such authority is delegated shall regularly report to the Committee the grants so made.

6. *Non-Equity Based Benefit Plans*. The Committee shall oversee the Company's non-equity based benefit plan offerings, in particular benefit plans and perquisites made available to executives.

7. *Administrative/Investment Decisions*. The Committee shall appoint or remove individuals authorized to make administrative and investment decisions on behalf of the Company with respect to employee benefit plans, including, but not limited to, the Company's 401(k) and pension plans and monitor their performance.

8. *Director Compensation*. The Committee shall review the compensation of directors for service on the Company's Board and the Board of Directors of Countrywide Bank, N. A. and their various committees and recommend to the Board of Directors of each the annual retainer and Chair fees and board and committee meeting fees.

9. *Supplemental Compensation.* The Committee shall review and approve any terms and conditions relating to compensation payable in respect of a change in control of the Company ("Change in Control"), or any special supplemental benefits whether or not conditioned upon a Change in Control.

10. *Investigations.* The Committee shall direct, when the Committee deems it necessary or appropriate, the Legal Department's or special counsels' investigation of special areas of concern relating to the matters covered by this Charter.

EXHIBIT D

COUNTRYWIDE FINANCIAL CORPORATION
401(K) SAVINGS AND INVESTMENT PLAN
STATEMENT OF INVESTMENT POLICY

PURPOSE

The Countrywide Financial Corporation 401(k) Savings and Investment Plan (the "Plan") was established as a tax-qualified defined contribution plan for the exclusive benefit of eligible participants. This statement, together with any amendments or appendices, is set forth in accordance with the fiduciary requirements of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

The Compensation Committee of Countrywide Financial Corporation (the "Firm") has appointed the Investment Committee to oversee the investment alternatives made available to participants and beneficiaries under the Plan. The Investment Committee established this investment policy for the purpose of providing general investment guidelines to govern the management of the Plan's assets. This statement sets forth policies for the Plan in the following principal areas:

- Statement of Objectives
- Delegation of Responsibilities
- Plan Structure
- Objectives of Investment Funds
- Fund Selection and Monitoring Criteria
- Fund Review and Evaluation

This policy will be reviewed on a periodic basis by the Investment Committee and may be modified to reflect such factors as changes in the investment environment, changes in the regulations governing defined contribution plans, and changes in participant objectives and the Firm's expectations.

STATEMENT OF OBJECTIVES

The primary objective of the Plan is to provide a retirement benefit to employees, which encourages eligible participants to save for retirement by providing an effective tax-deferred savings vehicle. The Firm intends to comply with ERISA Section 404(c) regulations in order to take advantage of the transfer of fiduciary responsibility for investment selection to individual participants. Pursuant to these objectives, the Investment Committee has adopted the following general goals:

- Offer an appropriate number of investment options covering a range of expected risk and return characteristics sufficient to provide participants with the opportunity to create a total portfolio appropriate to their investment circumstances and risk tolerance.
- Provide participants with the right to transfer among investment options with sufficient frequency, commensurate with the volatility of the investments.
- Choose a flexible administrative platform with access to investment options that have reasonable total costs to participants, and which offer competitive returns for the risks assumed.
- Select and retain investment managers/funds with strong, disciplined investment capabilities, consistent application of investment strategy, stable portfolio management teams, and a demonstrated record of strong performance to manage the investment options.

DELEGATION OF RESPONSIBILITIES

Compensation Committee Responsibilities:

- Appoint the members of the Investment Committee;
- Terminate members of the Investment Committee at any time, with or without cause;

Investment Committee Responsibilities:

- Identify and appropriate investment asset classes and select funds within those classes;
- Develop, review and revise the Plan's Investment Policy Statement;
- Hire and remove fund managers and consultants;
- Evaluate fund managers and performance at least quarterly;
- Evaluate consultants' performance and fees no less frequently than every other year
- Monitor recordkeeping and investment fees at least annually;
- Meet at least quarterly to review the Plan's funds and performance.

Consultant Responsibilities:

- Prepare performance evaluation reports at least quarterly;
- Assist the Investment Committee with the analysis of the managers and performance;
- Assist the Investment Committee in developing and reviewing the Plan's investment policy statement and fund selection.

Recordkeeper Responsibilities:

- Provide daily valuations and investment returns;
- Adhere to investment guidelines set forth in the prospectus;
- Provide timely communication of material changes in personnel, investment strategy or other pertinent information;
- Provide employee communication services with ongoing investment education designed to give employees the basic skills to carry out their investment responsibilities;
- Notify participants at least quarterly of the rates of return of the investment alternatives. Other information may be included which will help the participants make informed decisions regarding their investment alternatives.

Fund Manager Responsibilities

- Manage the assets of the fund; and
- Adhere to the investment policies specified in the applicable prospectus.

PLAN STRUCTURE

Recognizing its responsibility to offer participants a suitable range of prudent investment choices, the Firm has determined it is appropriate to offer a variety of investment alternatives under the Plan (see Appendix A). Each fund selected will be sufficiently different from the other selected funds so that the relative differences can be easily understood by participants.

Investment options should be selected that:

- Cover the risk/return spectrum of appropriate investment classes;
- Are distinguishable and have different risk/return characteristics;
- Are diversified and professionally managed;
- Charge fees that are reasonable for the asset class and investment style;
- Provide, in the aggregate, the participant with the opportunity to structure a portfolio with risk and return characteristics at any point within a normally appropriate range of investment strategies; and
- Satisfy, when considered as a group, the broad range of investment alternatives as required by Section 404(c) of ERISA.

While the Investment Committee has responsibility for determining which funds are offered in the Plan, it does not offer Plan participants advice on how to allocate their assets among the available choices.

The Plan's investment structure offers participants a wide array of investment choices. These investments span the risk/return spectrum and currently consist of the following investment asset classes:

- Money Market
- Fixed Income
- Asset Allocation: Lifecycle Fund Series
- Large Cap Value Equity
- Index Equity (S&P 500 Index)
- Large Cap Growth Equity
- Small Cap Value Equity
- Small Cap Growth Equity
- International Equity

The Investment Committee reserves the right to add or replace investment asset classes based upon market conditions, consultant input, participant response, or other factors affecting the continuing viability of the overall investment program/options.

OBJECTIVES OF INVESTMENT FUNDS

Monitoring the Plan investment funds versus measurable objectives helps to track the appropriateness of each of the Plan's investment funds. Each fund has objectives and a role to play in serving the needs of the Plan. The performance objectives of each investment fund are to be used as a basis for selecting, reviewing and monitoring a particular fund, not as an absolute measure which requires fund termination if they are not achieved. The objectives of the Plan's investment funds are as follows:

Lower Risk Funds:

- ***Money Market:***

  Description: A portfolio consisting of U.S. dollar denominated money market securities of domestic and foreign issuers and repurchase agreements. The risk level of this fund is kept low in an attempt to avoid any loss of principal in the fund while earning prudent levels of income. This fund should post a positive quarterly return and have conservative risk and return characteristics. In addition, this fund should have a limited notification period and include liquidity sufficient to fund distributions.

  Performance: Over three-year rolling periods, outperform the return of the Citigroup 91-Day T-Bills

Moderate Risk Funds:

- ***Fixed Income Fund:***

  Description: A portfolio consisting of debt securities from all sectors including governments, corporates, mortgages and asset-backeds. The average credit rating of the portfolio will be investment grade and the portfolio's duration can utilize the full range of the yield curve.

  Performance: Over three-year rolling periods, outperform the total return of the Lehman Brothers Aggregate Bond Index and rank above the median in performance among a universe of other similarly managed bond mutual funds. Volatility of returns should be commensurate with the peer universe of funds.

- ***Lifecycle Fund Series :***

  Description: The Plan offers participants the opportunity to select professionally managed fund alternatives. A series of dynamic or target year funds are balanced portfolios whose asset allocations change over time – shifting from equities to fixed income instruments. As the investor moves closer toward retirement, the fund automatically moves toward a more conservative asset allocation automatically. These funds are also offered in clusters and are usually named for target retirement years. For example, the 2030 fund would be for an investor retiring around the year 2030 and the portfolio would become more conservative as this date approached. The lifecycle funds are designed to provide participants with a single investment choice.

  Performance: Over three-year rolling periods, outperform the total return of a custom index based on the underlying asset allocations of the fund.

Higher Risk Funds:

- ***Large Cap Value Equity Fund:***

  Description: The portfolio consists of primarily large capitalization domestic value-oriented equity stocks. Holdings are broadly diversified among companies and industries.
  Performance: Over three-year rolling periods, outperform the total return of the Russell 1000 Value Index and rank above the median in performance among a universe of other similarly managed large cap value equity funds. Volatility of returns should be commensurate with the peer universe of funds.

- ***Index Equity Fund:***

  Description: The fund will closely mirror the holdings and characteristics of the S&P 500 Index which is made up of both growth and value stocks. This fund is intended to provide broad exposure to the large capitalization domestic equity market and is offered as a core equity option.
  Performance: Closely track the total return of the S&P 500 Stock Index on a quarterly basis.

- ***Large Cap Growth Equity Fund:***

  Description: The portfolio consists of primarily large capitalization domestic growth-oriented equity stocks. Holdings are broadly diversified among companies and industries.
  Performance: Over a three to five year basis, outperform the total return of the Russell 1000 Growth Index and rank above the median in performance among a universe of other similarly managed large cap growth equity funds. Volatility of returns should be commensurate with the peer universe of funds.

- ***Small Cap Value Equity Fund:***

  Description: The portfolio consists of primarily small capitalization domestic value-oriented equity stocks. Holdings are broadly diversified among companies and industries.
  Performance: Over three-year rolling periods, outperform the total return of the Russell 2000 Value Index and rank above the median in performance among a universe of other similarly managed small cap value equity funds. Volatility of returns should be commensurate with the peer universe of funds.

- ***Small Cap Growth Equity Fund:***

  Description: The portfolio consists of primarily small capitalization domestic growth-oriented equity stocks. Holdings are broadly diversified among companies; some industry concentration may occur.
  Performance: Over a three to five year basis, outperform the total return of the Russell 2000 Growth Index and rank above the median in performance among a universe of other similarly managed small cap growth equity funds. Volatility of returns should be commensurate with the peer universe of funds.

- ***International Equity Fund:***

  Description: The portfolio consists of large, medium and small non-U.S. domiciled companies. Holdings are broadly diversified among countries and companies.

  Performance: Over a three to five year basis, outperform the total return of the Morgan Stanley Capital International (MSCI) – Europe, Australasia, and Far East (EAFE) Index and rank above the median in performance among a universe of other similarly managed international/foreign equity mutual funds. Volatility of returns should be commensurate with the peer universe of funds.

FUND SELECTION CRITERIA

When the Investment Committee is considering adding or replacing an investment fund it will consider a number of factors, including but are not limited to:

- Experience of investment professionals and depth of organization
- Stability of ownership and low turnover of professional team
- Specialist capabilities in the asset class being considered
- Disciplined approach
- Consistent portfolio characteristics/investment style
- Approach providing adequate diversification to protect against loss associated with a single security, issuer, or event
- Demonstrated record of favorable performance on a net of fees basis when compared to relevant market indices, relevant peer groups, and when adjusted for risk
- Consistency of performance over rolling three-year periods compared to relevant benchmarks and peer groups
- Ability to expertly manage risk, and deliver added value net of fees to participants
- Short-term redemption fees and other trading restrictions
- Fees that are competitive for the asset class and investment style

An appropriate level of assets under management for the investment approach (e.g., a high level of assets under management is preferred for passive investments, while a controlled base of assets is preferred for small capitalization stock investments)

FUND REVIEW & EVALUATION

The Investment Committee will review the investment managers/fund providers at least quarterly. The quarterly performance reviews may include any relevant criteria, including but not limited to those used in the selection or replacement of funds. Typically, such reviews will focus on:

- Adherence to guidelines;
- Relative results as compared with a universe of like managers;
- New opportunities available in the market place; and
- Material changes in the manager/provider organizations.

Several standards will be utilized in evaluation of investment performance including the specific objectives for the mandate, the market indices, and the performance of other fund managers. The appropriateness of the comparison will be determined by matching key characteristics of each portfolio against the characteristics of the portfolios in the universe.

Performance monitoring includes a review of time-weighted rates of return calculated at quarterly intervals for each investment vehicle. Measurements shall be reported for the most recent quarter, year, three-year and five-year periods, and ten-year periods as well as over three-year rolling time periods. Returns shall be compared to the benchmarks specified in this

statement by investment vehicle as outlined in the "Objectives of Investment Funds" section of this policy. Qualitative commentary will also be reviewed to provide context for investment manager performance.

Removal criteria may include:

- Poor or inconsistent risk management
- Significant or intentional breach of mandate or directive (e.g., style drift)
- Loss of key investment professionals
- Underperformance measured over a reasonable time period given the specific circumstances of the fund's investment strategy. Termination decisions based on performance will typically be made over a three- to five-year horizon, although the period may be shorter in the case of severe underperformance or in situations that suggest inconsistencies between the investment manager's execution and the expectations of the Investment Committee.
- Loss of confidence by the Investment Committee in the investment manager/fund organization

Adopted Effective October 1, 2006

COUNTRYWIDE FINANCIAL CORPORATION
INVESTMENT COMMITTEE FOR EMPLOYEE BENEFIT PLANS

BY: _____ Date: 3/5/07
Marshall M. Gates

APPENDIX A

Investment Fund Array as of June 1, 2006.

Investment Option	Fund	Universe	Market Benchmark	Fund Expense Ratio
Stable Value	Fidelity Retire MMkt Fund	N/A	Citigroup 91-Day T-Bill	0.42%
Fixed Income	PIMCO Total Return Admin	Core Fixed Income Universe	LB Aggregate Bond Index	0.68%
Lifecycle	Fidelity Freedom Funds	N/A	Custom Index Benchmarks	0.52% - 0.79%
Large Cap Value	LSV Value Equity Fund	Large Cap Value Equity Universe	Russell 1000 Value Index	0.67%
Index Equity	Fidelity Spartan US Equity	N/A	S&P 500 Index	0.10%
Large Cap Growth	Loomis Sayles Growth A	Large Cap Growth Equity Universe	Russell 1000 Growth Index	1.10%
Small Cap Value	Nuveen NWQ Small Cap Value R	Small Cap Value Equity Universe	Russell 2000 Value Index	1.17%
Small Cap Growth	Wasatch Small Cap Growth	Small Cap Growth Equity Universe	Russell 2000 Growth Index	1.18%
International	Fidelity Diversified International	Non-US Equity Universe	MSCI EAFE Index	1.07%
Employer Stock	Countrywide Stock Fund	N/A	N/A	N/A