



PEARL MEYER & PARTNERS

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TO: Michael Dougherty, Countrywide Financial Corporation  
Harley Snyder

FROM: Claude Johnston, PM&P  
Garry Rogers

DATE: June 11, 2004

RE: Countrywide CEO Employment Agreement

As requested, we have reviewed Mike Sirkin's memo dated May 20, 2004 regarding proposed amendments to Mr. Mozilo's employment contract. Our comments are set forth below in the same order as the Sirkin Memo for ease of reference.

Section 3(a)

We agree that during Mr. Mozilo's term as a non-employee director, the limitations on his activities should be no more stringent than apply to the Company's other outside Board members.

The restrictions on his activities during the Employee Chairman Term are appropriate and should remain.

Section 3(b)

No comment required.

Section 4(a)(ii)

Based on our knowledge of the market for employee Chairman and Mr. Mozilo's experience with the Company and its industry, we believe that \$1 million is a reasonable base salary for Mr. Mozilo's services as an employee Chairman providing substantially full-time services to the Company. However, as defined in the Agreement, "Chairman Term" includes Mr. Mozilo's proposed term as an outside director. During such period, we believe Mr. Mozilo should be compensated the same as the Company's other outside Board members, plus an annual retainer as Chairman. We suggest an additional \$200,000 annual retainer as Chairman during this period.

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Section 4(b)(f)

We agree that the deferred bonus may be paid to Mr. Mozilo as soon as he is no longer subject to IRC §162(m). We note, however, the possibility that he will remain subject to §162(m) during the Employee Chairman Term.

Section 4(c)(f), 4(d)

It is not unusual for an Employee Chairman to receive a cash bonus. Stock options (or other equity or long-term incentives) are somewhat less common. Mr. Mozilo's compensation as Employee Chairman should reflect his time commitment and contribution to the Company. It should not be based on the current EPS formula, or the bonuses that have resulted from that formula. In addition, any bonus payable to him should be mandatorily deferred until such time as he is no longer subject to §162(m).

During the outside director term, we believe Mr. Mozilo should receive compensation equivalent to the remuneration paid to Countrywide's other outside directors, plus an additional amount to recognize his position as Chairman of the Board. Again, we suggest that the additional retainer for Mr. Mozilo's tenure as non-employee Chairman be set at \$200,000 per year.

Section 4(e)

Whether and how the Company provides retiree medical benefits should be left to the Company's discretion.

Section 9(b)

Regarding Mr. Mozilo's role as a director, we don't believe any proposed arrangement that limits the CEO's ability to interact with the Board directly, or the authority of the Lead Director, is desirable from a corporate governance standpoint and would recommend you resist any formal or informal arrangement of that nature.

With respect to Mr. Mozilo's request for a time commitment limitation, any limitation during the Employee Chairman Term – during which we expect he will be providing substantially full-time services to the Company – seems inappropriate. During the outside director term, we expect his time commitment would be similar to the other Board members, plus the time spent fulfilling his extra duties and responsibilities as Chairman. We don't think a time commitment limitation is needed.

Section 9(c)

The treatment of Mr. Mozilo's compensation during the outside director term should be consistent with the Company's other Board members. We would suggest he receive a pro rata portion of the Chairman retainer and Board compensation (in the form of pro-rata awards) for the stub period.

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Section 9(d)

While severance protection may be appropriate for the period in which Mr. Mozilo serves as Employee Chairman, we do not advise protecting his term as an outside Board member of Countrywide.

Section 9(a)

We concur that non-disparagement be mutual.

Please contact either Garry Rogers or myself at [REDACTED] to discuss any questions or concerns you may have.

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