

# Ruane, Cunniff & Goldfarb Inc.

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May 1, 2013

Dear Client:

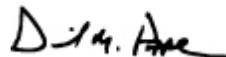
As you may recall, last year we wrote recommending you vote against James A. Johnson as he stands for re-election to the board of directors of Goldman Sachs, which we own for Sequoia Fund and separately-managed accounts. Mr. Johnson is standing for re-election again this year, and we will vote against him for all client accounts for which we exercise voting power. If you vote your own shares in accounts we manage for you, we recommend you vote against Mr. Johnson.

Our reasons for voting against Mr. Johnson have not changed and we would refer you to our previous letter, which we have included for your review.

Sincerely,



Robert D. Goldfarb



David M. Poppe

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*Note: This letter first appeared on the SequoiaFund.com website in April of 2012.*

Dear Client:

As your investment manager our goal is to own shares in outstanding public companies that boast both excellent long-term performance records and ethical corporate governance standards. In the normal course of business we shouldn't need to vote against management's recommendations on proxy issues, because we trust management to act in our best interest.

Unfortunately, this year we are voting against James A. Johnson as he stands for re-election to the board of directors of Goldman Sachs, which we own for Sequoia Fund and separately-managed accounts. Mr. Johnson also serves on the board of Target Corp., which we own, and which should issue its proxy soon. If Mr. Johnson stands for re-election at Target, we intend to vote against him. If you vote your own shares in accounts we manage for you, we recommend you vote against James Johnson.

Mr. Johnson has been at the center of several egregious corporate governance debacles. As chairman of the board and chief executive officer of the mortgage giant Fannie Mae from 1991 through 1998, Johnson lobbied Congress relentlessly to relax Fannie's underwriting standards and lower the capital requirements put in place to protect taxpayers from losses in the event of a downturn in the housing market. As a government-sponsored entity (GSE), Fannie Mae enjoyed an implicit federal guarantee of its obligations. Originally structured to provide liquidity to the mortgage market, in the 1990s Fannie dramatically expanded its portfolio of retained mortgages. It used the implied guarantee of its debt to borrow money at low rates and then buy higher-yielding mortgages. Much of Fannie's profit was directly attributable to its ability to borrow money cheaply as a GSE. Yet rather than act conservatively to protect taxpayers, during Johnson's tenure Fannie ramped up its growth by buying lower-quality mortgages. This bloated Fannie's balance sheet, increased its profit and magnified the risk to taxpayers.

As Fannie expanded, it suffered poor internal controls. A 2006 report by the company's regulator, the Office of Federal Housing Enterprise Oversight, found Fannie had overstated its earnings every year from 1998 to 2004 to make targets that boosted executive compensation. Mr. Johnson was chairman and CEO in 1998 and chairman of the executive committee in 1999. He remained a well-paid consultant to Fannie Mae after leaving the board. Among many damning disclosures, OFHEO found that in 1998, Fannie Mae's "incorrect accounting spared it approximately \$500 million in impairment losses" it should have taken. This had the effect of inflating earnings and thus executive bonuses.

In response to OFHEO's concerns, the Securities and Exchange Commission reviewed Fannie Mae's accounting and in 2006 the company took a \$7.0 billion net charge to restate earnings for the years prior to January 1, 2002. As a comment on the management culture Johnson created, we can't think of a stronger indictment than this: from 2004 to 2006, Fannie Mae replaced its CEO, CFO, all senior accounting officers, general counsel, chief risk officer, chief audit executive and chief compliance officer.

In 2008, the housing bubble popped. Fannie Mae was ruined and the implicit federal guarantee became explicit. Taxpayers were left with hundreds of billions of dollars of losses on bad mortgages.

As a director of United Healthcare from 1993 to 2008, Mr. Johnson was a member of a board that authorized grants of more than 44 million shares of stock to the company's chief executive, Dr. William McGuire. A substantial number of those share grants were backdated by Dr. McGuire himself. The SEC alleged this allowed Dr. McGuire to pick low prices for the company's stock as the exercise price for his options. This increased his profit on exercise and understated compensation expenses for stock options.

Dr. McGuire settled charges against him by repaying \$448 million to United and \$20 million in other penalties. He was enjoined from serving as an officer or director of a public company for 10 years. In March 2007, UnitedHealth restated its income for each year from 1994 through 2005, and disclosed material cumulative pre-tax errors in stock-based compensation accounting that totaled \$1.5 billion.

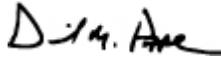
Mr. Johnson joined the KB Home board of directors in 1992 and served as the chairman of the compensation committee from 1995 to 2000. KB Home backdated stock option grants to CEO Bruce Karatz from 1999 through 2005. KB eventually restated seven years of earnings. Mr. Karatz was convicted in 2010 on felony charges related to options backdating and paid \$7 million in civil penalties.

More recently, Mr. Johnson was identified by the media as receiving home mortgage loans from Countrywide Financial at below-market interest rates. For years Fannie Mae was the largest buyer of Countrywide mortgages, many of which were of low quality.

This information has long been in the public record. Yet Mr. Johnson remains the chairman of the compensation committee at Goldman Sachs and at Target. We believe Mr. Johnson's history should disqualify him from service on the board of any public company. We respectfully ask that you vote your Goldman Sachs proxy against him. If he runs for reelection at Target, we ask that you vote against him there.

Sincerely,

  
Robert D. Goldfarb

  
David M. Poppe