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September 2, 2016

Via Hand Delivery

The Honorable Gregory M. Sleet
District of Delaware
United States District Court
844 North King Street, Unit 19
Wilmington, Delaware 19801-13570

Re: *Pagliara v. Fed. Nat'l Mortg. Ass'n, No. 16-cv-193-GMS*

Dear Judge Sleet:

I write to notify the Court of a decision by the United States District Court for the Eastern District of Virginia interpreting HERA—*Pagliara v. Federal Home Loan Mortgage Association*, No. 16-cv-337, 2016 WL 4441978 (E.D. Va. Aug. 23, 2016) (enclosed). The Eastern District of Virginia's holdings and analyses are binding on Pagliara under the doctrine of issue estoppel and provide further support for Fannie Mae's and FHFA's opposition to Plaintiff's motion to remand this proceeding to Delaware state court. (D.I. 16-18).

Specifically, the Eastern District of Virginia held that HERA as a matter of federal law "divested" Freddie Mac stockholders of the right to inspect books and records, by transferring to FHFA as Conservator "all rights, titles, powers, and privileges . . . of any stockholder of Freddie Mac." *Pagliara*, 2016 WL 4441978, at ** 1, 4-5, 8 (internal quotation marks omitted). The court concluded that "HERA's plain language evidences Congress's intent to transfer as much power as possible to the FHFA when acting as Freddie Mac's conservator." *Id.* at *8. Accordingly, the court held it was necessary to "dismiss this [books-and-records inspection] case because Pagliara does not possess the right he seeks to enforce." *Id.*

The Eastern District of Virginia's new decision is relevant to Fannie Mae's argument that this Court has federal question jurisdiction over this lawsuit because it necessarily turns on substantial and disputed issues of federal law. *See* Def. [Fannie Mae's] Response Br. Opposing Pl.'s Mot. to Remand, at 12-17 (D.I. 17). The decision's holding that HERA transferred all shareholder inspection rights from Fannie Mae and Freddie Mac shareholders is also binding on Mr. Pagliara in this case under the doctrine of issue preclusion (as we explain in a proposed supplemental motion to substitute that FHFA has filed today).



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Respectfully,

A handwritten signature in blue ink that reads "Robert J. Stearn, Jr." The signature is written in a cursive style with a large initial 'R' and a distinct 'J'.

Robert J. Stearn, Jr.

cc: Counsel of record (via CM/ECF)